



Daily Report

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General

Coverage of Foreign Ministry News Conference Continues

Reasserts Sovereignty Over Spratlys

HK1205160994 Beijing ZHONGGUO XINWEN
SHE in Chinese 1157 GMT 12 May 94

[Text] Beijing, 12 May (ZHONGGUO XINWEN SHE)—Foreign Ministry spokesman Wu Jianmin stressed again this afternoon that China has indisputable sovereign rights over the Nansha [Spratly] Islands and their waters. Vietnam will be infringing on China's rights and interests in entering into contracts with any oil company on prospecting and exploiting oil deposits in waters around the Nansha Islands, and such contracts are illegal.

Wu Jianmin made this statement at a routine Foreign Ministry press conference in Beijing in reply to a reporter's question about Vietnam's cooperation with the U.S. Mobil Corporation in recovering oil deposits in the Lanlong Sea.

Wu said: The Lanlong Sea lies within the waters of the Nansha Islands. China has always favored solving international disputes in a peaceful manner, and likewise, holds that the Nansha issue can be solved through peaceful consultations.

On Prince Sihanouk's planning to invite Khmer Rouge leaders to participate in new national elections, Wu Jianmin said: This is an internal affair for Cambodia. China hopes that all Cambodian factions will solve their internal problems properly and will achieve national reconciliation under the leadership of Prince Sihanouk.

Can Meet GATT Requirements

HK1205145494 Beijing ZHONGGUO XINWEN
SHE in Chinese 1210 GMT 12 May 94

[Text] Beijing, 12 May (ZHONGGUO XINWEN SHE)—Foreign Ministry spokesman Wu Jianmin pointed out this afternoon at the press conference that China is fully capable of meeting GATT requirements, and it hopes that with the joint efforts of the GATT Secretariat and signatories, the negotiations for resuming China's membership can be speeded up.

He said this in reply to a reporter's question.

Wu Jianmin said: China's reforms in its economic and trade structure over the last 15 years, particularly its progressive establishment of a socialist market economic system, have put its foreign trade system on a market economic footing and have rendered the system more in line with GATT requirements. Therefore, most of the GATT signatories agreed that under these circumstances, an agreement on China's resuming its GATT membership can be reached. GATT Secretary General Mr. Sutherland has spoken a great deal on this issue,

giving much active support to China's GATT bid. China appreciates and commends his efforts.

Wu Jianmin said: China's reforms in its foreign trade system have greatly increased the transparency of its trade rules and regulations. In line with its resumption of GATT membership, China has done much work in ensuring the transparency of foreign trade policies and rules and regulations, making a good start. To guarantee the unity and transparency of foreign economic and trade policies, all rules and regulations concerning foreign economic activities and trade are promulgated by the Ministry of Foreign Trade and Economic Cooperation [MOFTEC], the National People's Congress, and the State Council only. MOFTEC has processed and released a total of 93 internal documents still in effect and announced the revoking of four batches of documents totaling 744. China will also shortly be unveiling its Foreign Trade Law. The above facts show that China is fully capable of meeting GATT requirements.

Li Peng Holds Talks With GATT Director General Sutherland

OW1205154294 Beijing XINHUA in English 1414
GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese Premier Li Peng said here today that China's contracting status in the General Agreement on Tariffs and Trade (GATT) should be restored based on the principle of seeking a balance between duties and rights.

Li made the remarks when meeting with GATT Director-General Peter Sutherland this afternoon in Zhongnanhai, headquarters of the State Council.

The Chinese premier said that China's foreign trade is developing in tandem with the growth of the country's gross national product.

Preliminary estimates show that the annual import and export volume will reach 400 billion U.S. dollars by the year 2000, he added.

China will continue to import raw materials and primary products which are in short supply in China while importing more technologies and equipment, Li said, and the prospects for China's economic cooperation and trade with foreign countries are promising.

The premier said that China's bid for re-entry into GATT is a result of the country's reform and open policies which have been implemented since the late 1970s.

China's foreign trade regime has basically met GATT requirements through its economic reform in more than a decade, he said, and China will observe the rules of the Uruguay Round and shoulder corresponding duties, while enjoying its due rights.

He said that China is willing to resume its GATT membership at an early date and will make its greatest

efforts to realize the target based on the principle of balance between obligations and rights.

Yet, he stressed, whatever efforts China makes must be in line with the level of its economic development.

Li cited China's signing of the final act of the Uruguay Round and the agreement on the establishment of the World Trade Organization as a good demonstration of China's determination and sincerity to re-enter the world multi-lateral trading system.

The Chinese premier expressed his thanks to the director-general and the GATT Secretariat for their support for China's re-entry into GATT.

Sutherland said that he was very much impressed by China's efforts and sincerity in the process of negotiations on its re-entry, and he appreciated China's courage in its reform.

The GATT chief said he had always believed that China should be brought into the world multi-lateral trading system.

It will substantially benefit both China and the world if China bases its foreign trade regime on the rules of the multi-lateral trading system, Sutherland said.

China's fast economic growth based on controlled inflation is not an easy target, he said, and he expressed hope that China will make greater achievements in future economic reform.

GATT Entry by Jan Called 'Extremely Difficult'

HK1305104194 Hong Kong AFP in English 1002
GMT 13 May 94

[Text] Beijing, May 13 (AFP)—GATT chief Peter Sutherland all but ruled out Friday the possibility of China's rejoining the world trade body by the year's end, labelling the schedule put forward by Beijing "extremely demanding."

While "encouraged" by three days of talks with senior foreign trade officials here, Sutherland made it clear that China was some way from realising its aim to be in at the inception of the World Trade Organisation (WTO), which replaces the General Agreement on Tariffs and Trade (GATT) on January 1. "It is still going to be extremely difficult, with the best will in the world, to achieve the timeframe we have spoken of," Sutherland told a press conference. "The time schedule is extremely demanding."

The GATT secretary-general also stressed there was "no practical difference" in whether China joined the international trading regime on "January 1, April 1 or June 1." "Really what we should be talking about is the likelihood of a satisfactory outcome at the end of the day. The end of the day being not too distant," he said.

China, which was a founder member of GATT but left after the communists came to power in 1949, has repeatedly made it clear that it attaches great political significance to readmission before the new year.

Sutherland said he had seen signs of "genuine will and flexibility" from the Chinese side during his visit, but added that doubts remained over the transparency of China's foreign trade regime, especially policies governing import quotas, licences and standards. "I do not wish to minimise the amount of additional discussion that has to be undertaken," he said.

Foreign Dignitaries on Reform, World Economy

OW1305014794 Beijing XINHUA in English 0118
GMT 13 May 94

[Text] Beijing, May 13 (XINHUA)—China's great economic achievement has not only improved people's lives, but also exercised significant influence on the international economic structure.

This is the view shared by some well-known foreign personages who participated in the 1994 China summit which opened in Beijing Wednesday.

In his speech entitled "Global Multilateral Trading System: The Role of the People's Republic of China", Peter Sutherland, director-general of the General Agreement on Tariffs and Trade (GATT), said that there was no doubt that China's reform starting from the late 1970s has yielded good results.

"The reforms have given a far greater role to market forces and have led to a rapid liberalization of its foreign trade regime," he said, adding that the Chinese people have benefited from the reforms too.

"I am sure that producers, traders and consumers the world over, including those in China, are keen to see full implementation of these and other announced reforms," he said.

Great changes have taken place just after the successful conclusion of the Uruguay round multilateral trade negotiation, and on the eve of the establishment of the new World Trade Organization (WTO), the director-general said.

He pointed out that the reforms would help China to finish the negotiations on the terms and conditions for its rejoining GATT as early as possible, and to become one of the initial member states of WTO.

"China's ambitious program of trade and economic reforms has contributed greatly to bringing China more closely into line with the world trading system," he said. "Observing the Chinese economy in the process of reform, one sees that China is essentially doing autonomously what the WTO would in any case oblige it to do."

"Given the magnitude of China's economy and the likelihood that China will assume a leading role in

shaping the global economic environment of the next century, I think it to be of critical importance that close attention be paid to the manner in which China proceeds with its full integration into this newly-strengthened multilateral trading system.

"China's membership would increase the universality of the multilateral trading system and in other respects reflect positively on the evolution of international relations."

Malaysian Prime Minister Mahathir Mohamed said in his speech that Southeast Asia should have no fear of a wealthy and strong China.

In contrast, "the Southeast Asian countries would benefit from a huge market at their doorsteps" since the demands of China would increase tremendously with its development, he said.

A stable environment is necessary for Asian countries to catch up with the Western developed ones, Mahathir said, adding that China had set a good example for other countries in this regard.

"An anarchic situation is neither going to facilitate the growth and flowering of a free market, nor help the transition from a command economy to a market economy," he said.

Ernest Stern, managing director of the World Bank, said in his speech that the World Bank would continue to support China in deepening its reform.

Since the quality and stability of the economic growth is one of the important elements that would shape China's future, he said, the World Bank would finance China in support of macroeconomic stability, reform of state-owned enterprises, improvement of the infrastructure, environmental protection and the development of its poor areas.

The World Bank has been China's partner in its reform drive, he said.

Till now, the bank has supported 130 projects in China, involving accumulated finances of over 16 billion U.S. dollars.

Former German Chancellor Helmut Schmidt said in his speech entitled "China and the world" that China was playing a more important role in current world affairs and economic and trade exchanges, and in 20 years, China would become an economic giant.

For this reason, he said, all important world organizations including GATT should accept it.

In order to fulfill its target, Schmidt said, China should be stable at home and upgrade its infrastructures to empower people in the inland and the countryside, as well as controlling inflation.

He also pointed out that the United States should not interfere in China's internal affairs and that it is not wise to stop China's most favored nation status.

PRC Delegate at UN Conference on Small Island Countries

SK1305100094 Beijing XINHUA Domestic Service
in Chinese 0304 GMT 6 May 94

[By reporter Liu Ruichang (0491 3843 1603): "China Supports Establishment of Partnership Relations for Sustainable Development"]

[Text] Bridgetown, 5 May (XINHUA)—At a high-level meeting of the UN "global conference on sustainable development of small island developing countries" held in Bridgetown, capital of Barbados, Liu Chengguo, leader of the Chinese Government delegation, pointed out that the principle of establishing partnership relations for sustainable development as defined in this conference should become the foundation of international cooperation in the fields of environment and development.

Liu Chengguo held: The sustainable development of small island developing countries is an important component of global sustainable development. Small island developing countries' efforts to develop the economy and protect the environment constitute a contribution to realizing the goal of global sustained development.

Speaking on how to establish such partnership relations for sustainable development, Liu Chengguo said that such relations should be characterized by mutual respect and equality in treating each other. He said: Large or small and strong or weak as they may be, all countries are equal partners in international cooperation. Only in this way, can they have the foundation for cooperation. If a country criticizes others at every turn, always tries to force certain patterns or the policies and methods suitable to some countries on others, and even regards money and technical aids as political counters and puts forward unreasonable demands on the internal affairs of the aided countries, partnership relations will be out of the question.

Liu Chengguo said: In such partnership relations, the endeavor to solve global environmental problems should also be closely combined with the endeavor to solve the specific problems that small island developing countries are faced with, and small island developing countries should be helped to attain the two goals of sustained economic development and environmental protection, which supplement each other.

Liu Chengguo pointed out that such partnership relations should manifest the principle of "common and yet different responsibilities." He said: Changes in weather, rise of the sea level, pollution of seas and coasts, and other environmental problems are not created chiefly by small island countries, but small island countries are the first to suffer the damage. Many problems left from

colonial or trusteeship periods are still restricting their social and economic development. Therefore, to effectively solve the environmental problems of small island countries and enable them to achieve sustainable development, the international community, especially developed countries, should shoulder more duties.

In conclusion, Liu Chengguo said: As a developing country, China has a deep understanding and sympathy toward the difficulties small island developing countries encounter. China has established friendly cooperative relations with many small island developing countries and is willing to actively probe and strengthen multiform and multi-layered South-South cooperation to realize common development and prosperity.

The UN "global conference on sustainable development of small island developing countries" opened on 25 April. Government delegations from 100 member countries of the United Nations, including China, attended the conference. The conference was held particularly for the purpose of addressing the special problems regarding the environment and development of small island countries after the 1992 UN conference on environment and development.

Foreign Trade Minister Addresses International Conference

OW1205175394 Beijing XINHUA in English 1630 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—China's import and export volume has continued to grow over the first four months of this year after the implementation of the deepened reform in the foreign economic and trade field, a high-ranking trade official said here today.

Wu Yi, minister of foreign trade and economic cooperation, told the 1994 China summit that the operational order of China's foreign trade has been relatively normal and the operation of the new foreign trade system has been satisfactory.

In her speech entitled "Deepening Foreign Trade System Reform, Promoting Sino-Foreign Economic and Trade Cooperation", she said that the reform of the foreign trade system this year is markedly different from that carried out during the previous 15 years.

The reform this time is being closely coordinated with that in other main areas of the national economy, such as taxation, finance, investment, planning, foreign exchange and enterprises.

"It is unprecedented in terms of scope, dynamics and difficulties," she said.

To ensure the smooth progress of the reform, she said, it was necessary to focus attention on the overall situation of economic system reform and properly handle the relations between the foreign trade reform and reforms in other sectors.

It was also imperative to conscientiously handle relations between foreign trade development and reform and effectively maintain good order in foreign trade operations, as well as encourage and protect legitimate competition among enterprises, she added.

"China has consistently pursued a policy of independence, maintaining initiative in its own hands, equality and mutual benefit," she said. "We are willing to develop various forms of economic and trade cooperation with all countries and regions."

At today's meeting, other Chinese officials, including Liu Zhongli, minister of finance, Chen Yuan, vice-president of the People's Bank of China, Liu Hongru, chairman of China Securities Supervision and Management Commission, Huang Ju, mayor of Shanghai, Ernest Stern, managing director of the World Bank, and Helmut Schmidt, former chancellor of Germany, as well as some foreign entrepreneurs, also delivered speeches.

The meeting came to a close this evening.

Worldwide Information Network Set Up for Overseas Students

OW1205132094 Beijing China Radio International in English to Western North America 0400 GMT 28 Apr 94

[From the "Current Affairs" program]

[Text] Chinese people have been flocking abroad to pursue advanced studies since the late 1970s when the country opened up to the outside world. Many of them have returned after the graduation. As CRI's [China Radio International] (Zhao Jianpu) discovered, China has just set up an information system to help make it the best use of these talented young people. Here is (Tian Hong) with the details:

China has just set up a worldwide computer network to collect and give information for both the country's talent hunters and returned students. (Gong Changshun) from the China Service Center for Scholarly Exchange says the information system will be a great help for the country in retrieving these talents.

[Gong in Mandarin fading into English translation] Gong Changshun says the system has come just in time as more and more students are finishing their courses and returning home. The official says since 1978 when China began its open-door policy, the country has sent many people abroad for advanced studies. Also a large number of others have gone abroad privately-funded. Statistics show that so far the number of returned students have reached 70,000. More than 140,000 are still studying abroad. Gong Changshun says both the returned and those who are still abroad are concerned as to how they can best serve their country. But many of them have not found suitable positions, due to a lack of information.

[Gong in Mandarin fading into English translation] Gong Changshun says the computer network covers most parts of China and every Chinese embassy and consulate abroad. Due to the network, information about the supply and demand of these talented young people can be obtained immediately. In this way, people can not only find more choices for their skills, but also can effectively be introduced into joint-venture projects to aid the country's economy. The official says that most talented workers and students who have returned or are still abroad are welcome to join the scheme. The hotline number of the network is 205-1306, that is 205-1306.

For China Radio International, this is (Tian Hong).

Report on Foreign Cooperation in Automobile Building

OW1205122694 Beijing XINHUA in English 0826
GMT 12 May 94

[Text] Changchun, May 12 (XINHUA)—Changchun City has signed an agreement with South Korea's Hyundai Commercial Company Limited to establish a joint venture with an annual capacity of producing one million dashpots for automobiles and motorcycles.

The project in this capital of northeast China's Jilin Province, where the country's number one automobile plant is located, marks a new wave of overseas investment in China's automotive industry.

Just before this project, the Shanghai Volkswagen Automobile Corporation signed an agreement with Ford Motor Co. of the United States to produce interior decoration parts for cars.

China is described as the world's largest potential auto market, as some 270 million families are estimated to be potential auto owners. Listed by China as one of the backbone industries, auto production is expected to hit three million vehicles a year by the end of the century, fueling demands for auto parts.

As most of China's auto manufacturers started by assembling foreign parts, domestic part makers have to greatly reduce costs when China approaches its resumption of its status in GATT (the General Agreement on Tariffs and Trade). Joint production with foreign auto makers is an option or even a way out for some Chinese firms, experts say.

According to an official from the Ministry of Machine-Building, most of the China's existing 116 auto makers are Sino-foreign joint ventures. He added that China will divert auto joint-ventures to auto parts production. He said China plans to establish 200 enterprises to build another 200 auto parts production plants within the century, and so Sino-foreign co-operation, he said, will be of vital importance.

in light of the growing Chinese market, Ford of the United States set up a special department to deal with Chinese business this year. General Motors started a

joint venture to make auto parts in Beijing this April and another two ventures are being discussed with Chinese partners in Henan and Shenyang. Similar Sino-foreign auto parts enterprises have also been established by companies from France and other countries.

U.S. Rejects Newly Installed Haitian President

OW1305043094 Beijing XINHUA in English 0410
GMT 13 May 94

[Text] Washington, May 12 (XINHUA)—The United States today refused to recognize the new Haitian president installed by that country's military on Wednesday, dismissing the action as "purely illegitimate."

State Department Spokesman Mike McCurry told a news briefing that it was clearly "an illegitimate act by this rump group in Haiti."

The Haitian military arranged for their allies in parliament to install on Wednesday 80-year-old Supreme Court Justice Emil Jonassaint as that country's head of state to replace exiled President Jean-Bertrand Aristide.

The Organization of American States (OAS) issued on Wednesday night a strong declaration condemning the Haitian military's action as "contrary to the majority will of the Haitian people."

"Any action taken by the illegitimate government, including any call to elections, will be deemed entirely invalid," the declaration said.

McCurry said the OAS declaration is "a united statement on behalf of the hemisphere which categorically rejects the actions that have been taken by this rump group in attempting to install an illegitimate provisional president in Haiti."

"I think the standing of the UN Security Council resolutions in effect," he said. "The purpose of the world community is to restore President Aristide and restore democracy to Haiti."

"That is the purpose of the sanctions that have been in place and that are now going to be put in place in an even stronger fashion," McCurry added.

International Antigraft Conference Planned for Beijing

OW1105153994 Beijing XINHUA in English 1426
GMT 11 May 94

[Text] Beijing, May 11 (XINHUA)—Beijing has been chosen as the host of the Seventh International Anti-Graft Conference (IAGC) of October 1995, a senior Chinese official said here today.

"It is of great significance for China to hold the convention," said Zhang Siqing, procurator-general of the Supreme People's Procuratorate, today at the founding ceremony of the IAGC Organizing Committee, when its first session was also held.

The top procurator said China has consistently cracked down on the crimes of embezzlement and graft in order to build a clean and honest government.

He claimed that China has achieved great successes in its anti-corruption drives since its founding in 1949, especially the one since August 1993 till now.

According to the Supreme People's Procuratorate, more than 22,000 corruption cases were investigated between September last year and March this year, among which 37 are major cases involving more than 1 million yuan each, 789 involve money from 100,000 to 1 million yuan each and nearly 10,000 cases involve sums between 10,000 and 100,000 yuan each.

Nine hundred and four officials above the county level were punished according to the law in that period, of which 71 rank at the city level.

Zhang said the "Beijing conference" will not only seek academic exchanges, but also promote international cooperation to fight against embezzlement and graft.

"The problem of embezzlement has been internationalized," he said. "China is even more in need of such cooperation in the time of reform and opening to the world."

Zhang said the motif of the conference will be "anti-graft and social stability and development."

The international anti-graft conference is an international academic meeting for the exchange of experience in curbing and imposing punishment upon embezzlement, and research into methods for international cooperation.

The conference is held every two years. Its participants are mainly government officials, judges, procurators, police chiefs, lawyers, experts and professors from around the world.

At Least 32 Countries To Take Part in Beijing Trade Fair

OW1205123894 Beijing XINHUA in English 0932
GMT 12 May 94

[Text] Bangkok, May 12 (XINHUA)—At least 32 countries and regions in the Asia-Pacific region have so far confirmed their participation in an international trade fair to be held in Beijing from June 7-13.

The event is sponsored by the China Council for the Promotion of International Trade (CCPIT) and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

The trade fair, with the theme "Progress Through Cooperation," will focus on technological and industrial developments in the ESCAP region.

As of the end of April, a total of 80,000 square meters of space had been booked at the fair, to be held at the China

International Exhibition Center in Beijing, according to a press release of the ESCAP, issued here today.

The fair will consist of eight exhibition halls, with numerous pavilions for, among other things, light industry products, electronics, machinery, garments, patented products, real estate projects, computers, food, tourism and metallurgical technology.

China will display some of its latest developments in industry and economy.

During the fair, there will be a one-day seminar on China's economic reforms policy. Four lectures will be given by top leaders from relevant commissions, ministries and the People's Bank of China.

Foreign Experts Praise Construction of Yangpu Bridge

OW1205122794 Beijing XINHUA in English 0726
GMT 12 May 94

[Text] Shanghai, May 12 (XINHUA)—China has contributed to the history of bridge construction worldwide by building the Yangpu Bridge in Shanghai with the biggest span of all cable-stayed bridges in the world.

Holger Svensson, a renowned bridge expert from Germany, made this remark here yesterday while visiting the Yangpu Bridge together with some 100 other bridge engineers from 19 countries and regions. These experts are attending the 1994 International Symposium on Cable-Stayed Bridges here.

He praised the design of the Yangpu Bridge, with a span of 602 m [meters], as "first-rate", its welding techniques as "perfect" and its structure as "excellent".

Walter Podolney, a structural engineer with the U.S. Federal Highway Administration, said that the erection of the Yangpu Bridge across the Huangpu River is not only a matter of pride for the entire Chinese people, but also for mankind in conquering rivers.

He added that so far the bridge still has the biggest span of any cable-stayed bridge in the world.

However, cable-stayed bridges with even bigger spans are being built in France and Japan. "So, there is no limit to the progress made by mankind," he noted.

Dr. Man Chung Tang, a professor at Columbia University and chairman of DRC Consultants Inc. of the United States, revealed that a cable-stayed bridge with a span of 865 m in Normandy, France, is scheduled for completion later this year.

Another cable-stayed bridge, with a span of 890 m, in Japan is set for completion in 1997, said Man, who helped the Asian Development Bank examine all data concerning the Yangpu Bridge in 1991. The bridge was built with a loan from the bank.

The bridge in France is a concrete bridge, while the bridge in Japan is a steel one, he said.

But the Yangpu Bridge is a concrete and steel composite girder bridge, he said, noting that it is different from the above two bridges in terms of structure.

Lin Yuanpei, chief architect of the Yangpu Bridge, accompanied the foreign guests on their visit to the bridge.

Lin said that the erection of the Yangpu Bridge is inseparable from contributions from foreign bridge experts.

"Yes, it belongs to China and yet it is a crystallization of mankind's engineering progress," he said.

U.S. Senate Calls For End To Embargo on Bosnia

OW1305034294 Beijing XINHUA in English 0323
GMT 13 May 94

[Text] Washington, May 12 (XINHUA)—The U.S. Senate today passed two amendments urging the government to try to lift the UN-authorized arms embargo against Bosnia-Herzegovina.

Although the two documents called for an end to the two-year-old embargo, one urged president Bill Clinton to do so unilaterally while the other directed him to first seek support from the European allies and Russia.

The amendments, both passed with votes of 50-49, have yet to be approved by the house and signed by Clinton before becoming law.

The Clinton administration, which all along favors lifting the ban, has failed to register support from its European allies and Russia.

While the white house "certainly understands the Senate's sentiment," Clinton's spokeswoman Dee Dee Myers said it refuses to do it alone.

"The president does not support unilaterally lifting the arms embargo," Myers told Cable News Networks' "inside politics" program. "He thinks that would have implications for other multilateral actions that we've taken in places like Serbia."

As debates on the unilateral actions were raging in Washington, Secretary of State Warren Christopher was preparing for Friday's meeting on Bosnia in Geneva with foreign ministers from Britain, France, Germany, Greece and Russia.

Although the Clinton administration has time and again said it would press other nations to lift the arms ban, it is very unlikely to succeed.

Visiting French Foreign Minister Alain Juppe reiterated on Wednesday Paris' strong objection on the ground

that, among other things, more weapons flowing in would worsen the war, endangering its troops in the Balkan republic.

France is the largest contributor of UN peacekeepers in Bosnia. Its objection to lifting the ban was echoed by Russia and Britain, which also have troops in the former Yugoslav Republic.

Juppe Fails To Bridge Difference With U.S. on Bosnia

OW1205044594 Beijing XINHUA in English 0422
GMT 12 May 94

[Text] Washington, May 11 (XINHUA)—French Foreign Minister Alain Juppe failed today to convince the United States to exert pressure on the Bosnian Muslims to accept an imposed peace plan in the Balkan republic.

Juppe arrived here this morning to meet with U.S. Secretary of State Warren Christopher in preparation for a foreign ministers' meeting on Bosnia Friday in Geneva.

Before his discussions today with Juppe, Christopher said: "The best kind of a settlement is one the parties agree on."

His spokesman, Mike McCurry, added a footnote to the remarks.

"It's our view that imposing a settlement on the parties is not the best way to bring it about," McCurry told a state department daily briefing.

The United States also rejected French and European suggestions that the international community relax sanctions against the Serbian Republic to encourage the Bosnian Serbs to cede some of their captured territory.

Instead, Washington is calling for tougher sanctions and enhanced enforcement of those already in place.

"There is a strong argument to be made for increasing the pressure of sanctions, either by increasing their scope, or if not that, at least their enforcement," McCurry said.

France, along with other European Union contributors of troops to the UN peace-keeping force in Bosnia, has threatened to pull out if there are no prospects of a political settlement.

"It's a question of weeks, maybe some months, but it will not be possible to have a new winter in Bosnia," Juppe said.

"The time has come for a peace settlement, there is no military solution for Bosnia," the minister said.

France has some 6,000 troops on the ground in Bosnia. During the conflict, 21 of them have been killed and more than 300 wounded, reports said.

Members of the United Nations are trying to avert an escalation of violence in Brcko, another potential hot spot in Bosnia, which has seen an increase of troops and weapons by all three warring sides.

The United States has pinned the major blame on the Serbs for the two-year bloody war and is sympathetic to the Muslim-led Bosnian government.

The Muslims are apparently resisting a settlement for the time being in hope of rolling back some of lands conquered by the Serbs, who now control some 70 percent of Bosnia-Herzegovina.

"We think it's reasonable for the Bosnian government to hold the view that a cessation of hostilities agreement that doesn't have a sunset or doesn't expire at some point might run the risk of keeping in place current lines of confrontation, which then makes a peace settlement much more difficult to achieve," McCurry said.

The Geneva meeting will involve Christopher and Juppe, as well as foreign ministers from Russia, Britain, Greece, and Belgium.

XINHUA Reports Bosnian Muslims Bomb Serb-Held City

OW1205043994 Beijing XINHUA in English 0354 GMT 12 May 94

[Text] Belgrade, May 11 (XINHUA)—Bosnian Muslim forces today shelled Serb-held Brcko with five rockets for the second time in as many days and there is no immediate report of casualties and property losses.

The local press reported that all five rockets fell in the Grchica district, and this was the second Muslim attack on Brcko, a strategic city vital as a link between Serbia and Bosnian Serbs.

The Muslim forces reportedly bombarded Brcko today with at least 16 shells, killing four people, including a pregnant woman, and injuring 10.

Brcko, in north Bosnia, is a vital communications and supply line for Bosnian Serbs into Serbia and has been under the control of strong Serb forces since the beginning of the Bosnian war.

Following today's shelling, Serb commander in eastern Bosnia Novica Simich met officers of the United Nations peacekeeping forces in Bosnia and lodged a protest.

Simich suggested that the UN peacekeeping forces arrange a meeting between him and Muslim commander in Tuzla, Hadzeim Shadzich, to negotiate an agreement on ending hostilities between their troops.

At a press conference today, Simich warned that if Brcko was bombed again, his troops would return fire with all possible means and weapons in their possession.

Jovan Zametica, a spokesman for Bosnian Serb leader Radovan Karadzic, accused Muslims of using the shelling attack to provoke counter-attack from Serb forces in a bid to lure the international community into carrying out air strikes against Serb positions.

Meanwhile, Muslim forces in Tuzla reportedly admitted that they had launched the bombing attack on Brcko, but a spokesman for the UN peacekeeping forces told a news briefing in Belgrade today that it was still unclear who was responsible.

Tension around Brcko intensified shortly after the crisis in Gorazde calmed down. Both Serbs and Muslims have massed their forces near the region in preparation for a major battle.

UN Chief Appeals for Political Solution in Bosnia

OW1205023994 Beijing XINHUA in English 0207 GMT 12 May 94

[Text] Paris, May 11 (XINHUA)—UN Secretary General Butrus Butrus-Ghali today urged the international community to try to find a political solution to the Bosnian conflict before UN peace-keeping troops are withdrawn from the area.

The UN chief made the appeal in a meeting with French Prime Minister Edouard Balladur here today.

French President Francois Mitterrand and Minister of Foreign Affairs Alain Juppe have recently been considering the withdrawal of the 6,000 troops France has stationed in Bosnia.

The United Nations has deployed some 45,000 soldiers in the former Yugoslavia, 14,000 of whom are in Bosnia.

Butrus-Ghali also expressed the hope that the 11 French volunteers who have been detained by the Bosnian Serbs on charges of smuggling weapons for the Bosnian army will be freed as soon as possible through negotiations.

Balladur said today that the French government wants the volunteers to be released unconditionally.

Butrus-Ghali intends to discuss the issue with his chief advisers on Thursday and with the "group of contact" composed of the foreign ministers of the U.S., France, Britain and Russia in Geneva on Friday in an effort to find a political solution to the Bosnian conflict.

United States & Canada

Spokesman Criticizes Planned Lord Meeting With Wang Juntao

HK1305053794 Hong Kong RTIHK Radio Four in English 0500 GMT 13 May 94

[From "News at One" program]

[Text] China has criticized the American Assistant Secretary of State Winston Lord for planning to meet a released Chinese dissident. Mr. Lord has agreed to have talks in Washington later today with the dissident, Wang Juntao, who was sentenced to 13 years in jail but was allowed to leave China last month for medical treatment. A Chinese Foreign Ministry spokesman said his government opposed anyone carrying out political activity against China by making use of Wang Juntao.

'Roundup' Depicts Taiwan, Hong Kong as Losers If MFN Lost

HK1305045894 Hong Kong ZHONGGUO
TONGXUN SHE in Chinese 1153 GMT 12 May
94

["Roundup" by Hong Wen (3126 2429): "Experts Say If China's MFN Status Is Revoked, Hong Kong, Taiwan, and Foreign-funded Enterprises Will Suffer Most"]

[Text] Hong Kong, 12 May (ZHONGGUO TONGXUN SHE)—Whether or not China's most-favored-nation [MFN] treatment will be renewed will be announced in a couple of weeks. Economic experts point out that if this treatment is withdrawn, it goes without saying that both China and the United States will suffer losses. However, those who will really suffer most will be the Hong Kong, Taiwan, and foreign investors who have set up production bases on the mainland. That is why these experts predict that if the United States genuinely has its eyes on a development strategy in the Asia region, it will certainly not revoke China's MFN status rashly.

Dr. Chen Wen-hung, director of the China Business Center at the Hong Kong Polytechnic, told this reporter that the trade dispute between China and the United States is, in the final analysis, a trade balance issue. However, the principal beneficiary is not China, but foreign investors who open factories on the mainland and export their products to the United States using the mainland's export quotas. Most of them are manufacturers from Hong Kong and Taiwan.

According to the press, the net export value of Hong Kong, Taiwan, and other foreign-invested enterprises increased substantially by 45 percent in 1993, which accounted for nearly 28 percent of the country's total export value. It is anticipated that this proportion will rise to 40 percent this year. Chen Wen-hung pointed out that China's export growth last year was basically achieved by relying on foreign-invested enterprises. Hence, he believes that if China loses its MFN status, Hong Kong and Taiwan investors will suffer most.

According to a World Bank estimate, if the United States revokes MFN status for China, the volume of Chinese manufactured goods exported to the United States will fall by 25 to 50 percent. These are mostly goods produced in mainland China by Hong Kong and Taiwan manufacturers. A report from the Hong Kong Trade Department shows that, under these circumstances, China's re-export volume to the United States through

Hong Kong will fall by 33 to 46 percent, and Hong Kong profits amounting to \$2.4 to \$3.4 billion will be lost. As a result, Hong Kong's economic growth rate, which has previously been estimated at 5 percent, will be reduced by 2.2 percentage points to 3 percent. According to an analysis of Tang Ying-yen, vice chairman of the Federation of Hong Kong Industries, calculated on a per-capita basis, Hong Kong will sustain the heaviest blow.

As regards Taiwan, according to Taiwan customs statistics, the proportion of re-export trade between both sides of the strait in terms of Taiwan's total foreign trade has risen by 2 percent annually in recent years. Li Chien, managing director of the Hong Kong Taipei Trade Center, said that most of re-export goods were industrial raw materials, components, accessories, and so on, a considerable proportion of which are re-exported to foreign countries after being processed in mainland China. Among the 100 largest enterprise groups in Taiwan, nearly 60 of have invested or plan to invest in the mainland.

In view of the extremely serious impact on Hong Kong and Taiwan because of the issue of China's MFN status, relevant experts believe that in consideration of political and economic factors, the United States, which has shifted its strategic focus to Asia, will certainly not revoke China's MFN status rashly.

Two 'Chinese-Americans' Sentenced for Swindling, Forgery

OW1305033494 Beijing XINHUA in English 0320
GMT 13 May 94

[Text] Shijiazhuang, May 13 (XINHUA)—Two Chinese-Americans were sentenced to prison by a local court today for swindling, and forging official documents and seals.

This was the final verdict made by the higher people's court of Hebei Province on a case involving 200 standby letters of credit to the amount of 10 billion U.S. dollars and the Hengshui Branch of Agricultural Bank of China (HBABC) last April.

Francisco Hung Moy was sentenced to 20 years' imprisonment and his property confiscated, followed by deportation. His accomplice, Raymond C. Lee, was sentenced to 14 years' imprisonment, also followed by deportation.

Both Moy and Lee are U.S. citizens. According to China's criminal law, they will be deported after they have finished their terms of imprisonment.

Zhao Jinrong, former director of the HBABC, was sentenced to 11 years' imprisonment with deprivation of his political rights for two years for dereliction of duty and revealing state secrets; Xu Zhiguo, the deputy director, was sentenced to 19 years' imprisonment with deprivation of his political rights for three years for dereliction of duty and providing state secrets to people from outside the Chinese mainland.

The Hengshui Intermediate People's Court of Hebei Province conducted public trials of the two cases on April 18, 19, 22 and 23.

The court notified the U.S. Embassy in China of the date of the trial beforehand, in accordance with a Sino-U.S. consular treaty. Moy, Lee and the other defendants hired defense lawyers, who notified the relatives of the accused of the date of the trial beforehand.

After the sentence, Moy, Lee and the other defendants appealed to the provincial higher court, which rejected the appeal and upheld the verdict after an overall review of the whole case.

Moy, the 45-year-old chairman of the "United Asia (Group) Corporation", and Lee, 44, finance manager of the corporation, contacted the HBABC in March 1993, and passed on to Zhao Jinrong and Xu Zhiguo documents regarding introduction of foreign capital into China.

During discussions, Moy and Lee claimed that their corporation had many powerful business partners in many countries, and that they would mortgage their own negotiable securities, treasury bonds and assets abroad to get funds from outside China. The standby letters of credit issued by the HBABC was only to certify that the foreign capital had been used in China.

On April 1 and 2, 1993 Zhao Jinrong signed with Moy and Lee three agreements on "co-operatively introducing foreign capital for investment and development projects" to the amount of five billion, 1.6 billion and 3.4 billion U.S. dollars, respectively.

Lee produced for the HBABC a "proxy statement on opening letters of credit" afterwards, claiming that the HBABC was not obliged to pay back any principal or interest on the funds being introduced into China nor did it bear any economic or legal responsibility arising from the issuance of the letters of credit.

In the Chinese translation of the English original of the standby letter of credit Lee gave to Zhao Jinrong and Xu Zhiguo, he deliberately left out the words, "accompanied by a signed statement by the beneficiary certifying that the amount of drawing represents indebtedness due from United Asia (Group) Corporation in connection with loan accommodation granted to United Asia (Group) Corporation".

Zhao and Xu issued 200 irrevocable and transferable standby letters of credit to the amount of 10 billion U.S. dollars on April 5. Moy and Lee sent all the standby letters of credit abroad the next day.

When some foreign companies inquired about the authenticity and reliability of the standby letters of credit, Moy and Lee cheated Zhao again into agreeing to a reply letter prepared by them, by repeating their lie that the letters of credit caused no risk to the bank.

On April 18, in the name of the fabricated "United National Republic Bank", Moy and Lee made up a standby letter of credit to the amount of 10 billion U.S. dollars as security guarantee against the standby letters of credit issued by the HBABC.

Meanwhile, Moy and Lee signed a "loan agreement" with a foreign company, which stipulated: The United Asia (Group) Corporation would borrow 7.5 billion U.S. dollars from this company and "the collateral shall be one-year standby letters of credit drawn on the Agricultural Bank of China". It also made it clear that United Asia group "does not have the responsibility to repay the principal."

Besides, Moy and Lee illegally engraved the official seals of the "Agricultural Bank of China, Hebei Branch" and forged the confirmation letter for two standby letters of credit to the amount of 1.68 billion U.S. dollars for some foreign swindlers from February to April 1993.

The court held that the swindle caused severe social damage, infringed upon the rights and interests of the Agricultural Bank of China and seriously hampered China's financial and social order.

At the same time, Zhao Jinrong and Xu Zhiguo fell for the lies of the swindlers. Violating the provisions on management of foreign currency, they exceeded their power and issued standby letters of credit for huge amounts of money. They also transgressed the laws and regulations on keeping secrets and provided state secrets to people from outside the Chinese mainland, which infringed on the interests of the country.

It was learned that after the crime had been committed, judicial departments and other relevant administrations of China took a series of measures. And with the co-operation of police and financial institutions of other countries, no money was paid out during the validity period of the 200 standby letters of credit.

Jiang Zemin, Kissinger Discusses Sino-U.S. Relations

OW1205122894 Beijing Central People's Radio Network in Mandarin 1030 GMT 12 May 94

[From the "National Hookup" program]

[Text] While meeting with former U.S. Secretary of State Kissinger at the Diaoyutai State Guesthouse this afternoon, President Jiang Zemin said confrontation between China and the United States will do no one any good, adding that the development of cooperation between the two countries will benefit the peoples of the two countries and the people of the world.

Jiang Zemin said: China and the United States bear an important responsibility for the future of the world and the destiny of mankind. We should do something for the people of the world. Although there are some disputes,

some problems, and differences between the two countries, in the final analysis, efforts should be made to improve relations between them. This is required for world peace and stability.

Jiang Zemin said: Practice demonstrates fully that Sino-U.S. relations are not merely limited to bilateral ties but are closely related to the international situation. In the past, Sino-U.S. relations developed more smoothly whenever both sides were able to overcome their differences in social systems and value concepts, proceeded from their common interests, developed mutually beneficial cooperation, and continually expanded common points on the basis of mutual respect, noninterference in each other's internal affairs, and treated each other on an equal footing. However, Sino-U.S. relations met with difficulties or setbacks, or even regressed whenever these principles were violated, differences over ideology were stressed, the other side's interests were ignored, views were imposed on others, and sanctions and pressure were applied. These historical lessons are very profound.

Jiang Zemin stressed: A good opportunity has presented itself for the development of Sino-U.S. relations. It is hoped that both sides will grasp the opportunity, respect each other, seek common ground while reserving differences, and work together on the basis of the principles set forth by the three Sino-U.S. communiques, so as to enable their relations to develop on a healthy and normal track.

During the meeting, Jiang Zemin praised Dr. Kissinger for working vigorously to develop Sino-U.S. relations with the foresight of a strategist and the courage of a statesman, saying that this is commendable.

Kissinger said: I have always been against the use of the most-favored-nation trading status [MFN] as a means to exert pressure on China; I am also against putting pressure on China. I hope to see greater improvements in U.S.-Sino relations.

Present at the meeting were Minister of Foreign Trade and Economic Cooperation Wu Yi, Vice Foreign Minister Liu Huaqiu, and others.

Further on Jiang, Kissinger

*OW1205152494 Beijing XINHUA in English 1425
GMT 12 May 94*

[Text] Beijing, May 12 (XINHUA)—Chinese President Jiang Zemin, in meeting with former U.S. Secretary of State Henry Kissinger here today, said that world peace and stability call for improved Sino-U.S. relations, which are not restricted only to bilateral dimensions, but closely linked with the international situation.

In the 70-minute meeting, Jiang said that Kissinger, with the foresight of a strategist and the courage of a statesman, has always worked for the development of Sino-U.S. relations.

Discussing the world situation, Jiang noted that after the end of the cold war, the multi-polarization of the world structure is increasing, with the international situation moving towards relaxation and economic interests becoming a leading factor for the development of international relations.

"It represents the common wish of all peoples in the world to seek relaxation of tensions, cooperation and progress," Jiang said.

"However, the end of the cold war has not brought about overall peace, and some regions suffer from turbulence and even continuous wars," Jiang said, adding that such a situation has aroused concern from across the world.

As two big nations that have international influence, China and the United States "shoulder an important responsibility for the future of the world and the fate of mankind," a Chinese source quoted Jiang as saying.

After a review of the growth of Sino-U.S. relations, Jiang said that confrontation between China and the United States benefits neither side, while cooperation brings benefits not only to the two peoples, but to world peace in general as well.

Despite some disputes, problems or differences of one kind or another between the two countries, Sino-U.S. relations need to be improved, Jiang said, calling this "the need for world peace and stability."

Practice shows that Sino-U.S. relations have never been restricted to bilateral dimensions alone, but are closely linked with the international situation, Jiang said.

"When Sino-U.S. relations have enjoyed smooth growth, it has always been when the two sides could overcome the differences in social systems and concepts of values, proceed from the common interests to develop mutually-beneficial cooperation on the basis of mutual respect, practice non-interference in each other's internal affairs and equality, and strive to expand common ground," he noted.

In contrast, when those principles were violated and ideological differences emphasized, in cases of imposing one's own views upon the other side or even resorting to sanctions and exerting pressure, Sino-U.S. relations have encountered difficulties, set-backs or even retrogression, Jiang said, calling those "profound historical lessons."

Jiang, noting that the development of Sino-U.S. relations is facing a good opportunity at present, said that the two countries should seize the opportunity to work together, in the spirit of mutual respect and seeking common ground while reserving differences, so as to ensure expansion of bilateral ties along a healthy and normal track, as well as on the basis of the three Sino-U.S. joint communiques.

Kissinger said that a friendly relationship between the United States and China is essential for peace and stability in Asia and the world at large. Also, he said he

has always opposed using the MFN [most-favored nation] status to exert pressure on China and exerting pressure on China in general.

Kissinger said he hoped to see greater improvement of U.S.-China relations, according to a Chinese official.

Further on Ties

OW1205165094 Beijing XINHUA Domestic Service in Chinese 1321 GMT 12 May 94

[By reporter Zhou Shuchun (0719 2885 2504)]

[Text] Beijing, 12 May (XINHUA)—While meeting with former U.S. Secretary of State Kissinger at the Diaoyutai state guesthouse this afternoon, President Jiang Zemin said that Sino-U.S. relations have never been limited to bilateral ties but rather are closely related to the international situation. Sino-U.S. relations should be improved, for this is required for world peace and stability.

At the beginning of the meeting, President Jiang Zemin extended a welcome to Kissinger for making another trip to China. He said: Dr. Kissinger has always worked unswervingly and vigorously to develop Sino-U.S. relations with the foresight of a strategist and the courage of a statesman. This is commendable.

He said: After the end of the cold war, the trend of multipolarization in the world has been intensifying, and the international situation as a whole is moving toward a relaxation; economic interests are becoming the main factor having a bearing on international relations. The universal desire of the people of all countries is seeking a relaxation, cooperation, and progress. However, the end of the cold war has not brought about universal peace for the people of the world. Turbulence and unceasing military conflicts have continued in many regions. This situation cannot but draw the universal concern of the people of the world. He stressed: "China and the United States, as two powers having a considerable influence on the world, bear an important responsibility for the future of the world and the destiny of mankind. We should do something for the people of the world."

After reviewing the course of the development of Sino-U.S. relations, Jiang Zemin pointed out: Confrontation between China and the United States will do no one any good, but the development of cooperation between the two countries will benefit the peoples of the two countries and the people of the world. Although there are some disputes, some problems, and differences between the two countries, in the final analysis, efforts should be made to improve relations between them. This is required for world peace and stability.

Jiang Zemin said: Practice demonstrates fully that Sino-U.S. relations have not been merely limited to bilateral ties but are closely related to the international situation. In the past, Sino-U.S. relations developed more smoothly whenever both sides were able to overcome their differences in social systems and value concepts,

and when they proceeded from their common interests, developed mutually beneficial cooperation, and continually expanded common points on the basis of mutual respect, noninterference in each other's internal affairs, and treated each other on an equal footing. However, Sino-U.S. relations met with difficulties or setbacks or even regressed whenever these principles were violated, differences over ideology were stressed, the other side's interests were ignored, views were imposed on others, or sanctions and pressure were applied. These historical lessons are very profound.

Jiang Zemin stressed: A good opportunity has presented itself for the development of Sino-U.S. relations. It is hoped that both sides will grasp the opportunity, respect each other, seek common ground while reserving differences, and work together on the basis of the principles set out by the three Sino-U.S. communiques, so as to enable their relations to develop on a healthy and normal track.

Kissinger said: The maintaining of good relations between the United States and China is very important to peace and stability in Asia as well as in the world. He said that he has always been against the use of the most-favored-nation trading status as a means to exert pressure on China and that he is also against putting pressure on China. He expressed the hope of seeing greater improvements in U.S.-Sino relations.

According to a Chinese official, the meeting took place in a cordial and friendly atmosphere.

Present at the meeting were Wu Yi, minister of foreign trade and economic cooperation; Vice Foreign Minister Liu Huaqiu, and others.

Rong Yiren Receives Henry Kissinger

OW1205172394 Beijing XINHUA in English 1439 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese Vice-President Rong Yiren met with Henry Kissinger, former U.S. secretary of state, here today. They discussed bilateral relations between China and the United States and some international issues.

Rong expressed his appreciation over former U.S. President Nixon's efforts in opening the door of Sino-U.S. relations and in pushing the normalization of formal relations between the two countries.

Kissinger, as an assistant to the former U.S. president, has also made great contributions in this aspect, Rong said.

China hopes to see a peaceful and stable international environment and that differences between China and the U.S. should be solved through discussions and consultations on an equal footing, he stated.

Kissinger said he hoped that U.S.-China relations would be improved and developed in a "constructive way", and the trade between the two countries should also be

separated from human rights and all other issues. He believed that the two countries can cooperate in a still wider sphere.

The meeting proceeded in a warm and friendly atmosphere.

XINHUA Notes Clinton Urges Congress To Pass Crime Bill

OW1205224494 Beijing XINHUA in English 2104 GMT 12 May 94

[Text] Washington, May 12 (XINHUA)—U.S. President Bill Clinton today urged Congress to quickly pass the crime bill that would put 100,000 more police officers on the streets to fight crimes.

"It is imperative that we not let politics for one day delay the passage of this crime bill," Clinton said. "We can drive the crime rate down and make our people safe."

Announcing a 74-million-dollar federal grant to help local government pay for hiring 1,001 more police officers, he said the adoption of the crime bill will redeem his campaign pledge to put 100,000 additional police officers on American streets in its entirety.

The House and Senate have passed their own versions of the crime bill. The difference between the two versions will have to be reconciled by a conference committee.

In 1993, there were about 24,500 murders, 12.1 million property crimes in the United States.

The federal grant and two previously announced awards, with a total of 150 million dollars, will go to 250 police departments across the country and help pay for the hiring or rehiring of 2,023 police officers.

Zou Jiahua Meets Canadian Businessmen 12 May

OW1205140794 Beijing XINHUA in English 1342 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese Vice-Premier Zou Jiahua met here this afternoon with William Stinson, chairman and chief executive officer of the Canadian Pacific Ltd., and his party.

The eight-member Canadian delegation arrived here on May 9 as guests of the Ministry of Railways, and they are also scheduled to visit Shanghai.

Correction to Official Blames U.S. for Blocking GATT

HK1205043494

The following correction pertains to the item headlined "Official Blames U.S. for Blocking Entry to GATT" published in the United States & Canada section of the China DAILY REPORT on pages 5, 6:

Page 5, column two, first full paragraph, first sentence, make read: ...set as a deadline for talks on... (replacing "date" with "deadline")

Paragraph two, second sentence, make read: ...set as the deadline for talks on... (replacing "date" with "deadline")

Page 6, column one, paragraph four, second sentence, make read: ...as a substitute with paying a price, and this is something that is not unsustainable for China. He believed that...(altering wording and adding dropped clause).

Northeast Asia

Spokesman Lauds Hata's 'Sensible' Message

OW1205161094 Beijing XINHUA Domestic Service in Chinese 1014 GMT 12 May 94

[Text] Beijing, 12 May (XINHUA)—When answering a reporter's questions today, Chinese Foreign Ministry spokesman Wu Jianmin said: The attitude expressed by Japanese Prime Minister Tsutomu Hata in his oral message to Premier Li Peng on his determination to prevent past unfortunate history from being repeated is "sensible."

At today's news conference, a reporter asked: Has the Chinese side received Prime Minister Hata's letter to Chinese leaders? Does the Chinese side have any comments on Prime Minister Hata's letter and on his inaugural address?

Wu Jianmin said: Japanese Ambassador to China Kunihiro Michihiko conveyed to Chinese Vice Foreign Minister Tang Jiaxuan on 10 May an oral message from Prime Minister Hata to Premier Li Peng on the remarks made by former Japanese Justice Minister Shigeto Nagano in which Nagano distorted the history of Japanese aggression against China. We have noticed Prime Minister Hata's profound introspection concerning Japan's past aggression and colonial rule that inflicted unbearable suffering on many peoples. He indicated that past history shall be treated correctly and that the young generation shall be educated with the correct historical views. He is also determined to prevent the past unfortunate history from being repeated.

Wu Jianmin said: "We believe Prime Minister Hata's attitude is sensible and is in accordance with the trend of history, and we appreciate his attitude."

Japanese Social Democrats To Meet Jiang Zemin

OW1205130994 Beijing XINHUA in English 1236 GMT 12 May 94

[Text] Tokyo, May 12 (XINHUA)—The Social Democratic Party (SDP) [Social Democratic Party of Japan—SDPJ], Japan's second largest opposition party, will send a high-powered delegation to China next week to observe

the 10th anniversary of exchanges with the Chinese Communist Party, SDP officials said today.

The delegation, led by SDP Secretary General Wataru Kubo, will meet General Secretary Jiang Zemin and other senior Chinese Communist Party officials during the May 15-22 visit.

Kubo is scheduled to deliver a speech at Jilin University in China's northeastern Jilin Province.

Japan To Keep Ban on Collective Security

OW1205131994 Beijing XINHUA in English 1254 GMT 12 May 94

[Text] Tokyo, May 12 (XINHUA)—Japanese Prime Minister Tsutomu Hata today dispelled concerns that Tokyo may move toward active overseas military deployments.

Hata told a plenary session of the House of Representatives that Japan's Constitution prohibits the country's involvement in collective security and that he has no intention of changing the conventional interpretation of the constitution on this issue.

This was in response to a question from Yohei Kono, president of the opposition Liberal Democratic Party.

The prime minister's remarks were apparently designed to ease apprehension among opposition legislators that his administration is moving toward more active involvement by Japan's Self-Defense Forces in international conflicts.

Hata also denied that Japan had secretly agreed with the United States in 1969 to allow Washington to deploy nuclear arms on Okinawa island to defend Japan and America's other Asian allies.

He was referring to a recent allegation in a book written by Kei Wakaizumi, former special emissary of then Prime Minister Eisaku Sato, that Sato and Nixon signed a top-secret memorandum at the White House on November 21, 1969, saying that Japan is aware of U.S. expectations for a favorable response to possible U.S. requests to deploy nuclear weapons on Okinawa in times of crisis.

Spokesman Refutes U.S. Charge of Aiding DPRK

HK1305035494 Beijing CHINA DAILY in English 13 May 94 p 1

[By Xu Yang: "Spokesman Denies Nuke Aid to DPRK"]

[Text] A foreign Ministry spokesman yesterday refuted an allegation by a US official that China has aided the nuclear programme and ballistic missile development of the Democratic People's Republic of Korea (DPRK).

Wu Jianmin of the ministry called the charges by US Assistant Secretary of State Winston Lord "groundless and irresponsible."

Lord made the statements before a US Senate Foreign Affairs Subcommittee meeting on May 4.

He said China has assisted the DPRK in the development of ballistic missiles and nuclear devices.

Wu said China hopes all parties involved in the nuclear inspection crisis adopt constructive and positive attitudes to reach an early settlement through dialogue.

He also said at the briefing that China has noticed genuine concern in Japanese Prime Minister Tsutomu Hata's statement that Japan's past aggression and colonial rule inflicted unbearable suffering on many people.

China appreciates his indications that history shall be treated correctly and the younger generation shall learn a correct historical view Wu said.

Wu also announced that Russian Prime Minister Viktor Stepanovich Chernomyrdin will pay an official visit from May 26 to 29, the first time a Russian premier will come to China.

Since President Boris Yeltsin's visit in February 1992, Wu said, Sino-Russian relations have undergone steady development in all fields.

He said Chernomyrdin's trip will bring new energy to existing ties, particularly economic and trade relations.

He also announced President Pascal Lissouba of the Republic of Congo will visit China from May 19 to 25 at the invitation of President Jiang Zemin.

Southeast Asia & Pacific

Jiang Zemin Meets With Malaysian Prime Minister

OW1305022794 Beijing XINHUA Domestic Service in Chinese 1327 GMT 12 May 94

[By reporter Zhou Shuchun (0719 2885 2504)]

[Text] Beijing, 12 May (XINHUA)—At a meeting with Malaysian Prime Minister Mahathir at the Diaoyutai State Guesthouse this afternoon, President Jiang Zemin stressed the importance of stability, saying China's stability is not only requisite for its own development, but will also benefit the stability and prosperity of Asia and the world in general.

In the meeting, the Chinese president and the Malaysian prime minister said they were delighted at seeing each other again. Jiang Zemin said: "Your Excellency's second visit to China coincides with the 20th anniversary of the establishment of Sino-Malaysian diplomatic relations. Bilateral ties have gained overall expansion in the past two decades, with fruitful cooperation in the political, economic, science and technology, and cultural fields. The traditional friendship between the Chinese and Malaysian peoples continues to expand, while vast potential exists for bilateral cooperation." He added:

"Continuous expansion of such relations will not only promote common prosperity of the two countries, but will also serve to enhance regional economic cooperation."

The Chinese president said: "Your Excellency remarked during the visit to China last year that political stability is an important factor for economic development. This makes a lot of sense and we have good knowledge about that. China needs stability, and so does Asia and the world in general. This is a crucially important issue. Looking in retrospect at the political disturbance between the spring and summer of 1989, if resolute measures were not taken then, China would not enjoy today's stability. A bad thing has been turned into a good thing, and as a result, our reform and opening program has forged ahead with steadier, better, and even quicker steps, and our advantages have been brought into fuller play." History shows that anything conducive to our national stability is good. In the past five years, China has enjoyed economic development, social stability, and the improved livelihood of the people, thanks to our consistent efforts to take stability as an overriding priority. Facts prove this is absolutely correct.

Jiang Zemin emphasized: Stability forms a prerequisite and reform serves as a driving force, while development represents the goal. The three factors interact to promote each other. The importance of ensuring lasting national stability has become a common understanding of all the Chinese people. The stability of China is not only needed for China's own development, but will also benefit the stability and prosperity of Asia and the world in general. That is because the stability of China, a big country with a close to 1.2 billion population, is of international significance. In the past decade and more, the stability and development of China has not only brought benefits to its own people, but contributed to world peace and development as well.

On the regional situation, Jiang Zemin noted: The current situation in Asia is generally good, with relative political stability, sustained economic development, and constantly improving regional security. Further efforts to safeguard and promote regional peace and development reflect an issue that has won attention from leaders of Asian nations. He said: "We are ready to work with Malaysia and other Asian countries towards peace and development in Asia."

Mahathir said: Since the visit to China last year, he has been encouraging Malaysian businessmen to invest in and expand trade with China. Malaysia is satisfied with the steady growth of economic and trade ties with China.

The Malaysian prime minister also told Jiang Zemin that during his meeting with U.S. President Clinton shortly before he came to China, he stressed his opposition to imposing one's own views upon others and to using the issue of Most-Favored-Nation trading status to exert pressure on China.

According to a Foreign Ministry spokesman, the meeting proceeded in a cordial and friendly atmosphere. Vice Foreign Minister Tang Jiaxuan, assistant to the minister Wang Yinggan, and Malaysian Ambassador to China Adenan [name as received] were present at the meeting.

After the meeting, Jiang hosted a banquet in honor of Mahathir and his party.

Further on Meeting

OW1205153394 Beijing XINHUA in English 1450
GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese President Jiang Zemin today stressed the importance of stability, saying China's stability is not only requisite for its own development, but will also benefit the stability and prosperity of Asia and the world in general.

Jiang made the remark in meeting with Malaysian Prime Minister Mohamed Mahathir here this afternoon.

Jiang, quoting Mahathir's remarks made during a visit to China last year, said political stability is an important factor for economic development. "This makes a lot of sense and we have good knowledge of that," he said. "China needs stability, and so do Asia and the world in general. This is a crucially important issue," he added.

Referring to the political disturbance in June 1989, Jiang said that without the resolute measures taken then, China would not have enjoyed today's stability. "A bad thing has been turned into a good thing, and as a result, our reform and opening program has forged ahead with steadier, better and even quicker steps, and our advantages have been brought into fuller play," he said.

"History shows that anything conducive to our national stability is good," Jiang said. "In the past five years, China has enjoyed economic development, social stability and improved livelihood of the people, thanks to our consistent efforts to take stability as an overriding priority. Facts prove this is absolutely correct."

Stability forms a prerequisite and reform serves as a driving force, while development represents the goal, Jiang said, adding that the three factors interact to promote each other.

The importance of ensuring lasting national stability has become a common understanding of all the Chinese people, Jiang said. "The stability of China is not only needed for China's own development, but will also benefit the stability and prosperity of Asia and the world in general."

That is because the stability of China, which has a close-to-1.2-billion population, is of international significance, he said, noting that in the past decade and more, the stability and development of China have not only brought benefits to the Chinese people, but contributed to world peace and development as well.

On the regional situation, Jiang noted that the situation in Asia is developing in a good direction in general, with sustained economic development and constantly improving regional security.

Further efforts to safeguard regional peace and development reflect an issue that has won attention from leaders of Asian nations, he noted. "We are ready to work with Malaysia and other Asian countries towards peace and development in Asia."

In the meeting, Jiang noted that Mahathir's visit coincides with the 20th anniversary of Sino-Malaysian diplomatic relations, saying such ties have gained overall expansion in the past two decades, with fruitful cooperation in the political, economic, cultural, scientific and technological fields.

The traditional friendship between the Chinese and Malaysian peoples continues to expand, while vast potential exists for bilateral cooperation, Jiang said.

Continuous expansion of such relations will not only promote common prosperity of the two countries, but also will serve to enhance regional economic cooperation, he added.

Mahathir said that since last year, he has been encouraging Malaysian businessmen to invest in and expand trade with China. Malaysia is satisfied with the steady growth of economic and trade ties with China, he said.

Referring to his meeting with U.S. President Bill Clinton shortly before he came to China, Mahathir said he had stressed his opposition to imposing one's own views upon others and to using the MFN [most-favored nation] issue to exert pressure on China, according to a Chinese official.

After the meeting, Jiang hosted a banquet in honor of Mahathir and his party.

Li Peng Discusses Spratly Issue With Mahathir

OW1205174794 Beijing XINHUA Domestic Service in Chinese 1348 GMT 12 May 94

[By reporter Zhang Yijun (1728 4135 0193)]

[Text] Beijing, 12 May (XINHUA)—Premier Li Peng met with Malaysian Prime Minister Mohamed Mahathir at the Ziguang Pavilion of Zhongnanhai this afternoon. Both sides expressed a willingness to peacefully resolve the Nansha [Spratly] Islands issue through dialogue on the basis of friendly cooperation.

Li Peng extended a welcome to Mahathir for paying a working visit to China and for participating in the 1994 China Beijing international high-level economic forum.

During the meeting, both sides satisfactorily reviewed the all-round and rapid development of bilateral relations since the two countries established diplomatic

relations 20 years ago, and they said that they would work together to further develop bilateral relations.

Li Peng said: After the end of the cold war, the world has been developing in the direction of multipolarization. This is the positive side, but many contradictions and problems exist that need to be resolved.

He said: World affairs should be managed jointly by all countries of the world. The practice of hegemony and power politics will get one nowhere. All countries, big or small, rich or poor, and strong or weak, are equal, and they should enter into friendly cooperation. Disputes between nations should be solved peacefully through consultation and dialogue on a equal footing. It is necessary to establish a world political and economic order that is just and reasonable. The United Nations should do something more for the developing nations.

In discussing former Japanese Justice Minister Shigeto Nagano's remark on the Nanjing Massacre, Li Peng said: Nagano's remarks, which reversed black and white and distorted history, show that there is a force in Japan which is attempting to negate and beautify its history of aggression. Naturally, the remarks were condemned by all Asian countries that suffered from Japan's aggression.

He said: After Shigeto Nagano made his remarks, the Hata administration has made many speeches and has taken some measures.

Japanese Prime Minister Hata himself has conveyed an oral message to Premier Li Peng. He expressed his regret over what happened and reiterated that he will carry out a deep self-examination on Japan's past aggression and colonial rule, and that the young generation will be educated accordingly. Li Peng expressed his appreciation for such efforts.

Li Peng said: Sino-Malaysian relations are very good. We do not have any problems that need to be resolved urgently.

Commenting on the Nansha Islands issue, Li Peng said: "We should resolve peacefully the issue through dialogue with statesmen's farsightedness and friendly attitudes. Comrade Deng Xiaoping proposed long ago that we should put aside disputes and carry out joint development. We should explore and discuss the issues with Malaysia based on the above principle."

Mahathir said: Both Malaysia and China are developing countries which share many common points in dealing with both regional and international affairs.

He indicated: Malaysia very much appreciates China's stand of peacefully resolving the Nansha dispute and opposes the internationalization of the Nansha issue. Malaysia is willing to hold bilateral talks on the basis of friendly cooperation to seek ways to resolve this issue.

Commenting on democracy, Mahathir expressed his belief that we should respect the specific situations in various countries. It is not commendable or feasible to

apply the same democratic concept to countries that are undergoing different stages of development.

Nagano's Remarks Also Discussed

OW1205170194 Beijing XINHUA in English 1629
GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese Premier Li Peng met here today with Malaysian Prime Minister Mohamed Mahathir and they both agreed on seeking a peaceful solution to the issue of the Nansha [Spratly] Islands based on friendly cooperation.

Li extended a welcome to his Malaysian counterpart on his working visit to China and attendance of the 1994 China summit meeting, a high-profile economic forum which ended here today.

During the meeting, both leaders expressed their willingness to further bilateral relations, which have seen full and speedy growth since the two countries established diplomatic ties 20 years ago.

The Chinese premier said that after the cold war, the world has been developing in the direction of multi-polarization, which he believes is a positive trend; but on the other hand, there still remain many contradictions and problems to address.

Li said that world affairs should be jointly managed by all countries and that there is no room for power politics on the earth.

He said that all countries, big or small, rich or poor, strong or weak, should be treated equally, and disputes between nations should be settled through peaceful consultations and dialogues.

A just and rational world political and economic order should be set up, Li said, and the United Nations should do more for developing countries.

On the remarks made by former Japanese Minister of Justice Shigeta Nagano, in which Nagano distorted the history of Japan's aggression against China, Li said, the facts show that there is a force in Japan which attempts to distort and even beautify its aggression in history, which will surely be condemned by its Asian victims.

He said that the Hata government has taken a series of measures and delivered various speeches following Nagano's remarks.

A message from Prime Minister Tsutomu Hata was later conveyed to Chinese Premier Li Peng promising that history shall be treated correctly and the younger generation shall be educated from a correct historical perspective.

The Chinese premier said he appreciated the profound introspection expressed by Prime Minister Hata over Japan's aggression and colonial rule.

On the Nansha Islands issue, Li said China will discuss the matter with Malaysia based on the principle of putting aside disputes and seeking joint exploration as proposed by Chinese leader Deng Xiaoping.

Mahathir said Malaysia very much appreciates China's stand of peaceful settlement of the Nansha issue and opposed an internationalization of the Nansha issue.

Both China and Malaysia are developing countries, he said, so they share many common points in dealing with both regional and international affairs.

On democracy, the Malaysian prime minister said, the concrete situation in different countries should be respected when talking about the issue of democracy, and it is not agreeable to apply the same concept of democracy to all countries in different stages of development.

Malaysia's Mahathir Returns Home From Beijing

OW1305112494 Beijing XINHUA in English 1053
GMT 13 May 94

[Text] Kuala Lumpur, May 13 (XINHUA)—Malaysian Prime Minister Mahathir Mohamed returned home today after a six-nation tour since April 27.

Meeting him at the airport were cabinet members led by Deputy Prime Minister Anwar Ibrahim and diplomatic envoys accredited here.

Mahathir came from Beijing, China where he conducted a three-day working visit during which he made a key-note address entitled "The Socialist Economy of the People's Republic of China: An ASEAN Perspective" at an economic summit in Beijing, and held talks with President Jiang Zemin and Premier Li Peng.

Prior to his China trip, the Malaysian leader visited Zimbabwe, South Africa, Morocco, France and the United States.

Malaysian Paper: Foreign Standards To Hurt Economy

OW1305070594 Beijing XINHUA in English 0611
GMT 13 May 94

[Text] Kuala Lumpur, May 13 (XINHUA)—"Let the Chinese decide for themselves what is best for their country", "do not impose foreign standards and criteria on them"—this is what a Malaysian newspaper said today.

Malaysia's sole financial newspaper BUSINESS TIMES said, "just as one man's meat is another man's poison, what works for one country and community may not be at all applicable in another."

In an editorial entitled "The China Express", the English daily said, "a concerted push by some developed economies for China to accept and implement policies that are alien to it and not acceptable to the 1.2 billion

Chinese citizens...would only result in driving China into isolation—and this would certainly not benefit anyone."

"On the other hand, the region and indeed the world will stand to benefit from a wealthy and strong China."

"In the final analysis, as Prime Minister Mahathir Mohamed said, its leaders and intelligentsia themselves must pick and choose from the methods of other countries which could possibly fit in with the conditions in China," the paper said.

Mahathir, who ends his three-day working visit to China today, said on Wednesday that "Southeast Asia should welcome a wealthy China as it 'will become the engine of growth firstly for east Asia including Southeast Asia.'"

Singapore Joins Joint Land Venture in Suzhou

OW1305061794 Beijing XINHUA in English 0552
GMT 13 May 94

[Text] Suzhou, May 13 (XINHUA)—A ceremony to mark the official start in the construction of a joint land development project between China and Singapore was held here Thursday [12 May].

Located by Jinji lake in the eastern part of Suzhou city, the project covers an area of 70 sq km, and is expected to develop into a modern industrial park with modern industries as the main structure, and new- and high-technology as the leading sectors, complemented by service industries and public welfare services.

According to an agreement concluded by the two sides, the Suzhou Industrial Park will be developed in three stages.

The first stage will focus on building a trunk road linking the park with the downtown area and a 45-ha industrial district.

Construction of standardized workshops with a combined floor space of 90,000 sq m, 1,200 apartments and an office block is in full swing in the district, which is scheduled for completion in July next year.

In addition, the park is building a special highway linking the city with Shanghai's Hongqiao airport.

A number of Singapore companies will support the development of the project, with 65 percent of the shares owned by the Singapore side and the rest by the Chinese side.

Peng Peiyun, Singapore's Goh Discuss Women's Meeting

OW1305114394 Beijing XINHUA in English 1046
GMT 13 May 94

[Text] Singapore, May 13 (XINHUA)—Singapore Prime Minister Goh Chok Tong said here today Singapore

would support China in its hosting of the Fourth World Women's Conference in September next year.

In his meeting with the Chinese State Councillor and Minister of the State Family Planning Commission Peng Peiyun, Goh said Singapore would send its delegation to the conference.

Peng is the chairperson of the organizing committee of the women's conference.

During their 40-minute talk, the two also exchanged views on reforms in China's medical services and health insurance systems.

Peng arrived here on Monday [9 May] for a six-day visit. She and her delegation were briefed on Singapore's medical services and health financing system, workmen's compensation, central provident fund and other aspects of the country's social security system.

They also visited several hospitals in the country. They will leave here for Germany Saturday.

West Europe

Spokesman Welcomes New British Ambassador

HK1205135694 Beijing ZHONGGUO XINWEN
SHE in Chinese 1236 GMT 12 May 94

[Excerpt] Beijing, 12 May (ZHONGGUO XINWEN SHE)—At the press conference held this afternoon, Chinese Foreign Ministry spokesman Wu Jianmin said that China welcomes Mr. Appleby as the new British ambassador to China.

Wu said that Ambassador McLaren has been in China for nearly three years and will retire soon. We wish him good luck and good health after his retirement.

Wu continued that despite the breakdown of the Sino-British talks on arrangements for Hong Kong's 1994-95 elections, the Chinese side, proceeding from the livelihood and economy of Hong Kong, is still willing to cooperate with the British side. Of course, whether cooperation between the two sides is smooth depends on the British side. [passage omitted]

Song Jian Meets With French Science Delegation

OW1205140694 Beijing XINHUA in English 1340
GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—Chinese State Councillor and Minister in Charge of the State Science and Technology Commission Song Jian met here this afternoon with a delegation of the National Scientific Research Center of France (CNRS), guests of the Chinese Academy of Sciences.

On behalf of the State Council, Song extended a warm welcome to the French guests, led by Director General of the CNRS Francois Kourilsky.

Song said that since an agreement on scientific exchanges and cooperation was signed in 1978 between the Chinese Academy of Sciences and the CNRS, the two sides have witnessed good cooperation and achieved noticeable results in some key projects.

He noted that the visit by the French delegation will further promote bilateral cooperation in scientific research.

Expressing his appreciation for China's scientific research achievements in the past years, Kourilsky hoped that bilateral cooperation in scientific research would continue to expand.

He said that French scientists are willing to conduct cooperation in life science and chemistry with China.

Zhou Guangzhao, president of the Chinese Academy of Sciences, was present at the meeting.

The CNRS, founded in 1939, is the largest public scientific research body in France and boasts 1,351 research units.

CPPCC Vice-Chairman Meets German Official

*OW1205140894 Beijing XINHUA in English 1350
GMT 12 May 94*

[Text] Beijing, May 12 (XINHUA)—Wan Guoquan, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), met with Ingomar Hauchler, member of the German Federal Parliament, here today.

Wan, also vice-president of the China Association for International Understanding, had a cordial talk with the German guest.

Li Ruihuan Holds Talks With Norwegian Leader

*OW1205120694 Beijing XINHUA in English 0846
GMT 12 May 94*

[Text] Oslo, May 12 (XINHUA)—Norwegian Acting Prime Minister and Foreign Minister Bjoern Tore Godal held talks here on Wednesday [12 May] night with Li Ruihuan, chairman of the National Committee of the

Chinese People's Political Consultative Conference (CPPCC), on further developing the mutually beneficial cooperation between the two countries.

Li, who arrived here on Tuesday for a five-day visit to Norway, spoke highly of the cooperation between Norway and China after they established diplomatic ties more than 40 years ago.

He said that many new changes emerging after the Cold War have created favorable conditions for international cooperation and development.

He said, however, regional conflicts are increasing in the world and economic situation in many countries is worsening. Thus, preservation of world peace and promotion of economic development remain the two primary tasks for the international community.

Li stressed that China pursues a foreign policy of independence and peace and wishes to develop friendly relations with all countries in the world.

He added that all nations, small or big, weak or strong, poor or rich, have the right to equally participate in international affairs.

Li said that Western Europe plays an important role in international politics and economy, and China shares common views with it on many important international issues.

He said China would like to develop cooperation with the west including Norway on the basis of mutual respect, non-interference with each other's internal affairs, equality and mutual benefit.

Godal said that East Asia, which has been experiencing a fast economic growth, is playing a more and more important role in international affairs and China is an active stable factor there.

He said Sino-Norwegian relations have developed rapidly in recent years and his government wishes China more successes in its reforms.

He added that China's reform will benefit the world economy and the trade and economic cooperation between Norway and China.

Political & Social

Jiang Zemin, Li Peng Meet Civil Affairs Delegates

OW1205180894 Beijing XINHUA in English 1628 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—The tenth national conference on civil affairs opened in Beijing today.

State and party leaders Jiang Zemin, Li Peng, Zhu Rongji and Hu Jintao met the delegates to the conference before it opened.

The conference is being held to analyze the civil affairs situation in the country and set a development strategy and tasks for the next five years.

Chinese President Jiang Zemin spoke highly of the achievements made in civil affairs work, saying that the work has made major contributions to the maintenance of social stability, reforms and opening, economic development and national defense construction.

State Councillor Li Guixian presided over the conference and Doje Cering, minister of civil affairs, delivered a work report to the conference.

The report raised development objectives in civil affairs work for the following five years:

- Set up a social security system in rural areas to meet economic development at different levels.
- Set up a community-based social welfare system in urban areas and issue relief funds according to living guarantee standards.
- Set up and perfect a service system for the employment of demobilized army men.
- Enhance construction of grass-roots government bodies and set up an autonomy system in rural villages and neighborhood committees in cities.

Qian Qichen Attends Friendship Association Anniversary

SK1205131894 Beijing XINHUA Domestic Service in Chinese 1338 GMT 5 May 94

[By reporters Feng Xiuju (7458 4423 5468) and Ding Haisheng (0002 3189 3932): "Chinese People's Association for Friendship With Foreign Countries Holds Grand Reception To Celebrate 40th Anniversary of its Founding"]

[Text] Beijing, 5 May (XINHUA)—Personages from various circles of the national capital, representatives from all over the country, and foreign friends, totaling more than 800 persons, happily gathered at the Great Hall of the People this evening to warmly celebrate the 40th anniversary of the founding of the Chinese People's Association for Friendship With Foreign Countries.

At the grand reception held by the Chinese People's Association for Friendship with Foreign Countries, inscriptions written by party and state leaders Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, and Qian Qichen for the founding anniversary were read.

Qian Qichen, vice premier of the State Council and concurrently foreign minister, gave a congratulatory speech at the reception. On behalf of the party Central Committee and the State Council, he extended heartfelt congratulations to the Chinese People's Association for Friendship with Foreign Countries and high respects to all the Chinese and foreigners who were engaged in nongovernmental diplomatic work and made positive contributions to strengthening the friendship between Chinese people and the people of the various countries of the world.

Qian Qichen said: The Chinese People's Association for Friendship with Foreign Countries is one of the national nongovernmental organizations for friendship with foreign countries established earliest in China. It has played an important role in developing nongovernmental friendly contacts and cultural exchanges between China and foreign countries over the past 40 years. He said: The 40 years the Chinese People's Association for Friendship with Foreign Countries has traversed were a period when it held high the banner of peace, friendship, unity, and cooperation and marched continuously along the road of human progress and social prosperity. Over the past four decades, the Chinese People's Association for Friendship with Foreign Countries has made friends with many sincere people from various countries in the world for the Chinese people and made contributions to China's development and progress.

He said: "We will never forget the names of the many friends in the world engraved on the monument of China's revolution and construction. We wholeheartedly wish to associate with more friends in the world to make concerted efforts for human progress and China's prosperity."

Qian Qichen said: China's status and influence in the world have increasingly improved, and the various countries in the world have attached importance to improving and developing their relations with China and have expanded the exchanges and cooperation with China. This has provided a favorable international environment for us to build socialism with Chinese characteristics.

He said that he was convinced that the Chinese People's Association for Friendship with Foreign Countries would create a still higher level in its work under the correct leadership of the party Central Committee and the State Council, guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and China's foreign policy of independence and peace, and in reliance of the concerted efforts of the comrades on the nongovernmental diplomatic front.

Han Xu, president of the Chinese People's Association for Friendship with Foreign Countries, spoke first at the reception. He reviewed the brilliant course that the Chinese People's Association for Friendship with Foreign Countries had traversed in the past 40 years and expressed thanks to friendly personages of various countries in the world for their tremendous support to the association.

Present at the reception were Lei Jieqiong and Wang Guangying, vice chairmen of the National People's Congress [NPC] Standing Committee; Huang Hua, former vice chairman of the NPC Standing Committee; Gu Mu, former vice chairman of the National Committee of the Chinese People's Political Consultative Conference; and Qi Huaiyuan, director of the Foreign Affairs Office of the State Council.

Invited to the reception were (Harrison), president of the U.S.-China Friendship Association, who was visiting here; (Hafeizi), president of the Bangladesh-China Friendship Association; (Xie Yong), president of the Singapore-China Friendship Association; (Bohuo), chairman of the Cote D'Ivoire-China Friendship Group of the National Assembly of Cote D'Ivoire; Mayama Miho, director of the Japan New Production Group; (Santos), president of the Brazil-China Friendship Association; and the diplomatic envoys of various countries to China.

Li Lanqing at National 'Individual Workers' Rally
*SK1305024294 Beijing XINHUA Domestic Service
in Chinese 1050 GMT 6 May 94*

[By RENMIN RIBAO reporter Pan Gang (3382 1511) and XINHUA Reporter Fu Gang (0265 0474): "The National Rally To Commend Advanced Young Individual Workers Is Held, and Li Lanqing and Wang Bingqian Meet With Representatives and Deliver Speeches"]

[Text] Beijing, 6 May (XINHUA)—The national rally to commend advanced young individual workers was ceremoniously held at the Great Hall of the People today. Li Lanqing, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, Wang Bingqian, vice chairman of the Standing Committee of the National People's Congress, and Wan Guoquan, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, met with 207 representatives and took a group photo with them.

While meeting with the representatives, Li Lanqing said: I am very happy to meet with advanced representatives of individual workers and let me extend congratulations to all who have won this honor. As all people know that the socialist market economy is composed of various economic sectors with public ownership as the mainstay, and they are competing with one another at an equal footing, promoting one another, and seeking common development. This is a long-term national policy. During

the past few years, the individual and private economies were filled with vigor and vitality. This achievement should be attributed first to the party's open policy, and second, to the painstaking and pioneering spirit and hard work of the individual workers. They have played an important role in promoting economic development, which is obvious to all. It is hoped that all of you will do business in line with law, rely on your honest labor and management ability to develop your own undertakings, and contribute to China's economic development. It is also hoped that all of you will not forget the virtue of the Chinese people, which means that one should not forget other people when become rich and that one should lead the local people to reach common prosperity. Meanwhile, it is also necessary to promote the spirit of feeling happy to help other people. For example, the activities to donate funds to support education should be conducted.

Li Lanqing said: Among the individual workers, many heroic models have emerged in addition to the emergence of a batch of outstanding entrepreneurs. Among the representatives present at this rally, one individual worker from Zhejiang was injured during a fire fighting. His deed is very touching. It is hoped that all of you will promote the spirit of being ready to take up the cudgels for a just cause, make common efforts, enable our economy to further develop, and achieve good results in building spiritual civilization.

In his speech, Wang Bingqian said: The development of the individual and private economies has played an increasingly noticeable role in promoting production, enlivening the economy, making the market brisk, invigorating circulation, making things convenient for living, expanding employment, and safeguarding social stability. At present, there are more than 17.6 million individual industrial and commercial units across the country with more than 29 million employees. This is an important force which can never be dispensable with in China's socialist construction cause. The undertakings engaged in by the individual workers are glorious, and are protected by the state law, which should be acknowledged by society and respected by the people.

This commendatory activity is co-sponsored by the Central Committee of the Communist Youth League, the State Industrial and Commercial Administrative Bureau, and the China Association of Individual Workers.

Minister Wu Yi Views 'Foreign Trade Law'
*OW1205151894 Beijing XINHUA in English 1426
GMT 12 May 94*

[Text] Beijing, May 12 (XINHUA)—China's Foreign Trade Law has provided a good start in providing a legal framework for China's foreign trade and a very important step in connecting China's economy with the world economy, said Wu Yi, minister of foreign trade and economic cooperation, here today.

She added that China's Foreign Trade Law, which was passed here today by the seventh meeting of the Standing Committee of the Eighth National People's Congress of China, is an epoch-making event in China's foreign trade history.

It will be the basic law in fields related to China's foreign trade, outlining basic principles, policies and a macro-management framework for China's foreign trade.

Wu said that China's foreign trade has witnessed drastic development during the past 15 years and, with China's further opening, China's economy will continue to join the world economy and has to be managed in line with international practice.

As far as foreign trade is concerned, the General Agreement on Tariffs and Trade (GATT) is a set of accepted world trade rules, she added.

She noted that China applied for the resumption of its contracting status in GATT in 1986, at which time GATT asked for the unification and transparency of foreign trade systems of its contracting parties.

Wu opined that without a foreign trade law, meeting the requirements of GATT is beyond imagination.

NPC Promulgates New Laws, PLA Decrees, Appoints Ministers

Jiang Zemin Signs Decree No. 22 Foreign Trade Law

OW1205161394 Beijing XINHUA Domestic Service in Chinese 0441 GMT 12 May 94

["Decree No. 22 of the President of the People's Republic of China"—XINHUA headline]

[Text] Beijing, 12 May (XINHUA)—"The Foreign Trade Law of the People's Republic of China" adopted at the seventh meeting of the Standing Committee of the Eighth National People's Congress on 12 May 1994 is hereby promulgated and will become effective beginning 1 July 1994.

[Signed] Jiang Zemin, president of the People's Republic of China

[Dated] 12 May 1994

Announces State Compensation Law

OW1205132494 Beijing XINHUA Domestic Service in Chinese 0441 GMT 12 May 94

["Decree No. 23 of the President of the People's Republic of China"]

[Text] Beijing, 12 May (XINHUA)—"The State Compensation Law of the People's Republic of China," adopted at the seventh meeting of the Standing Committee of the PRC's Eighth National People's Congress

on 12 May 1994, is hereby promulgated and will become effective beginning 1 January 1995.

[Signed] Jiang Zemin, president of the People's Republic of China

[Dated] 12 May 1994

Report of Trade, Compensation Laws

OW1205135294 Beijing XINHUA in English 1336 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—China's legislature adopted the country's first foreign trade law here today to institute a unified foreign trade system.

It is claimed to be able to maintain a fair and free foreign trade order and is believed to be conducive to China's development in trade and economic cooperation with other countries as well as facilitating the establishment of the market economic structure.

The new law, consisting of 8 chapters and 44 articles, was passed at the closing of the Seventh Session of the Standing Committee of the National People's Congress (NPC) today, over which its chairman, Qiao Shi, presided.

The NPC Standing Committee also passed the State Compensation Law today to make state functionaries adhere to laws in their operations.

It stipulates that citizens, legal persons and other organizations will be "compensated for their losses or suffering when their legal rights are harmed due to illegal deployment of power by state functionaries or state employees."

The lawmaking body also approved three decisions today:

- The supplementary provisions to regulations governing offenses against public order, initiated by the ministry of public security, defined 18 new offenses, targeting newly-emerging public security problems in the country at the time of reform and opening to the outside world.

- The amendments to the regulations on active service and rank of military officers of the People's Liberation Army are meant to meet increasing needs of the reform and construction drive of the the nation and the armed forces.

The first amendment takes two to three years off the ceiling age for officers of deputy-army level, officers at the level of deputy commander-in-chief for the greater military areas and officers with elementary professional posts.

The latter one spells out the disestablishment of first-class (highest ranking) general. It also stipulates that no military rank will be granted to the chairman of the central military commission.

Wang Yingwei and 12 other persons today were added to the membership of the Preliminary Working Committee for the Preparatory Committee of the Hong Kong Special Administrative Region.

The NPC Standing Committee appointed Nie Li as a member of the NPC Internal Affairs and Judicial Committee, named Song Ruixiang and Sun Jiazheng as minister of geology and mineral resources and minister of radio, film and television, to replace Zhu Xun and Ai Zhisheng respectively. Guo Zhenqian was named auditor-general of the auditing administration to replace Lu Peijian.

Text of 'PRC Foreign Trade Law'

OW1205231094 Beijing XINHUA Domestic Service
in Chinese 0818 GMT 12 May 94

[Text of the "PRC Foreign Trade Law" approved on 12 May by the seventh meeting of the Eighth National People's Congress Standing Committee]

[Text] Chapter I. General Principles

Article 1. This law is established to develop foreign trade, to maintain order in foreign trade, and to ensure that the socialist market economy develops in a healthy manner.

Article 2. Foreign trade, as defined under this law, refers to the import and export of goods, the import and export of technology, and the international trade in services.

Article 3. Departments of the State Council in charge of foreign economic relations and trade are in charge of the nation's foreign trade according to this law.

Article 4. The state adopts a standardized foreign trade system and maintains according to the law a fair and free foreign trade order.

The state encourages the development of foreign trade, encourages localities to take the initiative in developing foreign trade, and upholds foreign traders' rights to run their businesses on their own.

Article 5. Based on the principle of being fair and mutually beneficial, the PRC promotes and develops trade relations with other countries and regions.

Article 6. According to the international treaties or agreements on foreign trade that the PRC has signed or to which the PRC is a contracting party, the PRC accords most-favored-nation status or national treatment to other signatories or contracting parties to the treaties or agreements, or, according to the principle of being mutually beneficial and equal, accords the status or treatment to the other party to the treaties or agreements.

Article 7. Based on the actual situation, the PRC may take similar measures against countries or regions that have adopted discriminatory trade bans or restrictions or similar measures against the PRC.

Chapter II. Foreign Trade Operators

Article 8. Foreign trade operators, as defined under this law, refer to legal persons or other organizations engaging in foreign trade activities according to this law.

Article 9. Foreign trade operators engaging in the import and export of goods and technology must meet the following requirements and must have the approval of a State Council department in charge of foreign economic relations and trade:

1. have their own organizations and names;
2. have a clearly defined business area of foreign trade;
3. have the business sites, funds, and specialized personnel required for the foreign trade they engage in;
4. the amount of imports and exports carried out by others on their behalf has reached the specified amount; or having secured the sources of required import and export goods;
5. other requirements specified by relevant laws and administrative regulations.

Regulations for the implementation of the aforementioned provisions are to be formulated by the State Council.

According to relevant laws governing enterprises invested in by foreign companies and according to relevant administrative regulations, enterprises invested in by foreign companies are exempted from complying with provision No. 1 in importing goods that are not for production purposes and that are for the companies' own use; in importing equipment, raw and processed materials, and other materials needed for their own companies' production use; and in exporting their own products.

Article 10. The establishment and business activities of international service trade enterprises and organizations should conform to the stipulations of this law and other relevant laws and administrative regulations.

Article 11. Foreign trade operators run their businesses on their own and are responsible for their own profitability and losses, as specified by the law.

Article 12. In conducting foreign trade activities, foreign trade operators should fulfill their contractual responsibilities, ensure the quality of their commodities, and ensure after-sale service.

Article 13. Organizations and individuals without foreign trade permits may authorize domestic foreign trade operators, within the scope of their business, to conduct foreign trade business on their behalf.

Those authorized foreign trade operators should faithfully provide the authorizers with information concerning market conditions, commodity prices, their clients' situations, and other relevant information. The two

sides should sign a commitment contract which should contain stipulations on both sides' rights and obligations.

Article 14. To comply with the regulations of State Council departments in charge of foreign economic relations and trade, foreign trade operators should submit to the departments concerned documents and other materials in connection with their foreign trade activities. The departments concerned should keep the business secrets of foreign trade operators who submit relevant information to them.

Chapter III. Imports and Exports of Commodities and Technology

Article 15. Except when otherwise specified in provisions of other laws and administrative regulations, the state permits, without any restrictions, the import and export of commodities and technology.

Article 16. The state may restrict the import or export of commodities and technology that come under any of the following circumstances:

1. The state may impose restrictions on the import or export of commodities and technology that are required to safeguard state security or social interests.
2. The state may impose restrictions on the export of commodities and technology that are in short supply in China or in an effort to effectively protect domestic resources that are exhaustible.
3. If the absorptive capacity of a nation or region in importing certain commodities and technology is limited, the state may need to impose restrictions on exports.
4. The state may impose restrictions on the export of commodities and technology that are required to establish, or to accelerate the establishment of, specific industries in China.
5. The state may restrict, as necessary, the import of agricultural, pastoral, and aquatic products in any form.
6. The state may restrict the import of commodities and technology that are required to safeguard China's financial status in the international community or to ensure a balance in its international trade accounts.
7. The state may restrict the import or export of certain commodities and technology as required by the provisions of international treaties or agreements that the PRC has signed or joined.

Article 17. The state may ban the import or export of commodities and technology that come under any of the following circumstances:

1. Commodities and technology that jeopardize [wei hai 0604 1364] state security or social interests.

2. The import or export of commodities and technology that must be banned so as to protect human lives or health.

3. Commodities and technology that are destructive to [po huai 4275 0975] the ecological environment.

4. The state may ban the import or export of certain commodities and technology as required by the provisions of international treaties or agreements that the PRC has signed or joined.

Article 18. The department in charge of foreign trade and economic cooperation under the State Council shall work jointly with other State Council departments concerned to formulate, readjust, and promulgate, in accordance with the provisions of Article 16 and Article 17 of this Law, the catalogue of goods and technologies restricted or banned from import or export.

If with State Council approval, the department in charge of foreign trade and economic cooperation under the State Council, either alone or in conjunction with other State Council departments concerned, may decide to temporarily restrict or ban from import or export certain goods or technologies not listed in the catalogue, provided the restriction or ban is within the limits of Article 16 and Article 17 of this Law.

Article 19. Goods subject to import or export restrictions shall be controlled by means of import-export quota or permit. Technologies subject to import or export restrictions shall be controlled by means of import-export permit.

In order to import or export any goods or technologies subject to the import-export quota or permit control, prior approval must be obtained in accordance with the State Council provisions, and approval or disapproval shall be given either by the department in charge of foreign trade and economic cooperation under the State Council alone or by that department and other State Council departments concerned jointly.

Article 20. The import-export quotas shall be allotted by the department in charge of foreign trade and economic cooperation under the State Council or by other State Council departments concerned according to their functional duties. The allotment shall be made in accordance with the applicant's import-export achievements and ability, and on the a principle of efficiency, impartiality, openness, and fair competition.

The methods and procedures for the quota distribution shall be stipulated by the State Council.

Article 21. Cultural relics, wild life and related goods, and articles that are restricted or banned from import or export by other laws or administrative regulations shall be handled according to those laws and administrative regulations.

Chapter IV. International Service Trade

Article 22. The state promotes a gradual development of international service trade.

Article 23. The People's Republic of China, in accordance with the international treaties or agreements of which it is a signatory or participant, will give other signatories and participants market access and national treatment in international service trade.

Article 24. The state may restrict international service trade for any of the following reasons:

- (1) to safeguard state security or public interests;
- (2) to protect ecological environment;
- (3) to establish or accelerate the establishment of special domestic service trades;
- (4) to ensure balance of foreign exchange receipt and payment; or
- (5) restrictions prescribed by other laws and administrative regulations.

Article 25. The state bans an international service trade on any of the following conditions:

- (1) if it jeopardize state security or public interests;
- (2) if it violates the international obligations of the People's Republic of China; or
- (3) if it banned by other laws or administrative regulations.

Article 26. The department in charge of foreign trade and economic cooperation under the State Council and other State Council departments concerned manage international service trade according to this Law and other laws and administrative regulations.

Chapter V. Foreign Trading Order

Article 27. Foreign trade operators shall carry out foreign trading activities according to law and participate in fair competition; they may not commit the following acts:

- (1) counterfeiting, altering, or trading in certificates of origin for export and import products and in export and import licenses;
- (2) infringing on intellectual property rights protected by PRC laws;
- (3) eliminating rivals through improper means of competition;
- (4) obtaining tax refunds on exports from the state through fraudulent means; and
- (5) other acts that violate laws and administrative rules.

Article 28. In carrying out foreign trading activities, foreign trade operators shall settle or use foreign exchange in accordance with relevant state provisions.

Article 29. Where an increase in imports gravely harms or threatens serious harm to the producers of similar domestically produced goods or goods that directly compete with such imports, the state may institute necessary protection measures to eliminate or diminish such harm or the threat thereof.

Article 30. Where goods are imported below normal costs and thus substantially harm relevant domestic industries already in place or threaten such harm, or substantially impede the establishment of relevant domestic industries, the state may take necessary measures to eliminate or diminish such harm, the threat thereof, or relevant impediments.

Article 31. Where import goods are directly or indirectly subsidized in any form by the countries that export them and thus substantially harm relevant domestic industries already in place or threaten such harm, or substantially impede the establishment of relevant domestic industries, the state may take necessary measures to eliminate or diminish such harm, the threat thereof, or relevant impediments.

Article 32. Where the circumstances specified in Articles 29 through 31 arise, departments or organs designated by the State Council shall investigate and deal with such circumstances in accordance with laws and administrative rules.

Chapter VI. Foreign Trade Promotion

Article 33. In keeping with the needs of foreign trade development, the state shall establish and improve banking institutions that serve foreign trade, and create funds for foreign trade development as well as risk funds.

Article 34. The state shall develop foreign trade through export and import credit, tax refunds on exports, and other measures for promoting foreign trade.

Article 35. Foreign trade operators may establish or join export and import chambers of commerce in accordance with the law.

Export and import chambers of commerce shall coordinate and guide the foreign trading activities of their members in accordance with laws, administrative rules, and their articles of association; provide consultation; relay suggestions made by their members on foreign trade promotion to relevant government departments; and actively carry out activities aimed at promoting foreign trade.

Article 36. China's international trade promotion organizations shall, in pursuant of their charters, sponsor foreign liaison activities and exhibitions, provide information and consultation services, and carry out other activities for promoting trade with foreign countries.

Article 37. The state assists and facilitates autonomous regions of minority nationalities and economically underdeveloped areas to develop foreign trade.

Chapter VII. Legal Responsibilities

Article 38. Whoever commits a crime of smuggling goods prohibited or restricted for importation and exportation shall be affixed with criminal responsibilities in accordance with the supplementary regulations governing punishments for smuggling offenses. Where importation or exportation does not constitute a crime, it shall be penalized in accordance with the provisions of the Customs Law. The State Council's department in charge of foreign trade and economic relations may revoke the foreign trade license of anyone penalized.

Article 39. Whoever forges or alters certificates of origin of exports or imports or export and import licenses, and whoever buys or sells forged or altered certificates of origin of exports or imports or export and import licenses shall be affixed with criminal responsibilities in accordance with the provisions of Article 167 of the Criminal Law.

A unit which has committed the crime mentioned in the preceding paragraph shall be penalized with a fine, and the unit's personnel directly responsible for the crime shall be affixed with criminal responsibilities in accordance with the provisions of Article 167 of the Criminal Law. The State Council's department in charge of foreign trade and economic relations may revoke the unit's foreign trade license.

Whoever knowingly imports or exports goods with a forged or altered export and import license shall be penalized according to the provisions of Article 38 of this law.

Article 40. Whoever commits the crime of importing or exporting technology prohibited or restricted for importation or exportation in violation of this law shall be affixed with criminal responsibilities according to the supplementary regulations governing punishments for smuggling offenses.

Article 41. Dereliction of duty, favoritism, or power abuse by state foreign trade functionaries, which constitutes a crime, shall be affixed with criminal responsibilities. Where such an act does not constitute a crime, administrative disciplinary action shall be given.

Solicitation or unlawful acceptance of money and goods by state foreign trade functionaries taking advantage of their positions, which constitutes a crime, shall be affixed with criminal responsibilities according to the supplementary regulations governing punishments for offenses in embezzlement and bribery. Where such an act does not constitute a crime, administrative disciplinary action shall be given.

Chapter VIII. Appendix

Article 42. The state adopts flexible measures and give preferential treatment to trade between Chinese and foreign border cities and towns, as well as market trade fairs of border residents. Specific procedures shall be drawn up by the State Council.

Article 43. This law does not apply to independent tariff zones inside the People's Republic of China.

Article 44. This law enters into effect on 1 July 1994.

Decree No. 24 on Public Order

OW1305033794 Beijing XINHUA Domestic Service
in Chinese 2122 GMT 12 May 94

[Text] Beijing, 13 May (XINHUA)—Presidential decree No.24 of the People's Republic of China:

"Decision of the National People's Congress Standing Committee on amending 'Regulations Governing Offenses Against Public Order of The People's Republic of China,'" adopted by the Seventh Session of the Eighth National People's Congress Standing Committee of the People's Republic of China on 12 May 1994, is hereby promulgated and put in force upon promulgation.

[signed] Jiang Zemin, president of the People's Republic of China

[dated] 12 May 1994

Decree No. 25 on PLA Officers' Service

OW1305031694 Beijing XINHUA Domestic Service
in Chinese 2126 GMT 12 May 94

[Text] Beijing, 13 May (XINHUA)—PRC Presidential Decree No. 25:

The "Decision of the National People's Congress [NPC] Standing Committee on Amendments to the 'Regulations Governing Military Service of Chinese People's Liberation Army [PLA] Officers in Active Duty,'" approved by the seventh meeting of the Eighth NPC on 12 May 1994, is hereby promulgated and becomes effective on the day of promulgation.

[signed] Jiang Zemin, President of the PRC

[dated] 12 May 1994

Decree No. 26 on PLA Officers' Ranks

OW1305031794 Beijing XINHUA Domestic Service
in Chinese 2111 GMT 12 May 94

[Text] Beijing, 13 May (XINHUA)—PRC Presidential Decree No. 26:

The "Decision of the National People's Congress [NPC] Standing Committee on Amendments to the 'Regulations Governing Officers' Ranks of the Chinese People's Liberation Army [PLA]," approved by the seventh

meeting of the Eighth NPC on 12 May 1994, is hereby promulgated and becomes effective on the day of promulgation.

[signed] Jiang Zemin, President of the PRC

[dated] 12 May 1994

Amended Regulations on Military Ranks

OW1305082294 Beijing XINHUA Domestic Service
in Chinese 2136 GMT 12 May 94

[Text] Beijing, 13 May (XINHUA)—Regulations on the Military Ranks of Chinese People's Liberation Army [PLA] Officers

(Adopted at the Second Meeting of the Seventh National People's Congress Standing Committee on 1 July 1988

Amended According to the "Decision on Amending the 'Regulations on the Military Ranks of Chinese People's Liberation Army Officers'" adopted at the Seventh Meeting of the Eighth National People's Congress Standing Committee on 12 May 1994)

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Chapter VIII. Supplementary Provisions Regulations on the Military Ranks of Chinese People's Liberation Army Officers

Chapter I. General Provisions

Article 1. These regulations have been formulated in accordance with the relevant provisions in the "Constitution of the People's Republic of China" and the "Military Service Law of the People's Republic of China."

Article 2. A military rank system for officers shall be implemented to intensify efforts to revolutionize, modernize, and regularize the PLA; to facilitate military command and administration; and to heighten military officers' sense of responsibility and honor.

Article 3. The military ranks of officers are titles and insignia used to distinguish the grades and indicate the status of military officers, as well as marks of distinction awarded by the state to military officers.

Article 4. The military ranks of officers shall be divided into those for active-duty officers and reserve officers according to the nature of service.

Article 5. Officers of higher military ranks shall be the superiors of lower-rank officers. Where officers of higher ranks hold posts that are subordinate to lower-rank officers, those whose positions are higher shall be the superiors.

Article 6. When active-duty officers are transferred to reserve duty, their military ranks shall be preceded by the word "reserve-duty." After they have retired from military service, their military ranks shall be retained, and the ranks shall be preceded by the word "retired."

Chapter II. Establishment of Military Ranks in Different Grades for Active-Duty Officers

Article 7. Ten military ranks in three different grades shall be established for military officers as follows:

- (1) High-ranking officer: general, lieutenant general, and major general;
- (2) Field officer: senior colonel, colonel, lieutenant colonel, and major;
- (3) Junior officer: captain, first lieutenant, and second lieutenant.

Article 8. Officers shall be given different military ranks as follows:

- (1) Military, political, and logistics officers: general, lieutenant general, major general, senior colonel, colonel, lieutenant colonel, major, captain, first lieutenant, and second lieutenant.

The military ranks of Navy and Air Force officers shall be preceded by the words "Navy" and "Air Force," respectively.

- (2) Specialized technical officers: lieutenant general, major general, senior colonel, colonel, lieutenant colonel, major, captain, first lieutenant, and second lieutenant. The military ranks of these officers shall be preceded by the words "specialized technical."

Chapter III. T/O Ranks for Various Posts of Active-Duty Officers

Article 9. The People's Liberation Army practices the system of T/O ranks for various posts of active-duty officers.

Article 10. The Central Military Commission [CMC] of the People's Republic of China leads the armed forces of the whole country. The Central Military Commission practices the system of the chairman assuming full

responsibility. No military rank shall be conferred on the chairman of the Central Military Commission.

The T/O rank for the post of vice chairman of the Central Military Commission is general.

The T/O rank for the post of member of the Central Military Commission is general.

Article 11. The corresponding T/O military ranks for various military, political, and logistics posts are as follows:

Chief of general staff of the People's Liberation Army and director of the General Political Department—general;

regular military region post—general, lieutenant general;

deputy military region post—lieutenant general, major general;

regular corps-level post—major general, lieutenant general;

deputy corps-level post—major general, senior colonel;

regular division-level post—senior colonel, major general;

deputy division-level post (regular brigade-level post—colonel, senior colonel;

regular regiment-level post (deputy brigade-level post)—colonel, lieutenant colonel;

deputy regiment-level post—lieutenant colonel, major;

regular battalion-level post—major, lieutenant colonel;

deputy battalion-level post—captain, major;

regular company-level post—captain, first lieutenant;

deputy company-level post—first lieutenant, captain; and

platoon-level post—second lieutenant, first lieutenant.

Article 12. The T/O ranks for various specialized technical posts are as follows:

Senior specialized technical post—lieutenant general to major;

intermediate specialized technical post—senior colonel to captain; and

junior specialized technical post—lieutenant colonel to second lieutenant.

Chapter IV. First-Time Conferment of Military Ranks on Active-Duty Officers

Article 13. Military ranks are conferred on officers according to the T/O ranks for their posts.

Article 14. The conferment of military rank is based on an officer's position, moral character, ability, job performance, contribution to the revolutionary cause, and military career background.

Article 15. The following military ranks are conferred on various personnel who are commissioned for the first:

(1) The rank of second lieutenant is conferred on graduates of secondary specialized military schools;

graduates of special courses of colleges are given the rank of second lieutenant, and they may also be given the rank of first lieutenant according to relevant provisions of the General Political Department of the People's Liberation Army;

graduates of regular courses of colleges are given the rank of first lieutenant, and they may also be given the rank of second lieutenant according to relevant provisions of the General Political Department of the People's Liberation Army;

people with a master's degree are given the rank of captain, and they may also be given the rank of first lieutenant according to relevant provisions of the General Political Department of the People's Liberation Army; graduates of post-graduate school without a master's degree are given the rank of first lieutenant; and

people with a doctorate degree are given the rank of major, and they may also be given the rank of captain according to relevant provisions of the General Political Department of the People's Liberation Army; graduates of post-graduate school without a master's degree are given the rank of first lieutenant;

(2) enlisted men who are assigned officer's duties during wartime shall be given the ranks corresponding to the T/O ranks for respective officer's positions; and

(3) civilian cadres in the army and personnel of non-military departments who are assigned officer's duties shall be given the ranks corresponding to the T/O ranks for respective officer's positions.

Article 16. The authority of approving first conferment of military ranks on officers is as follows:

(1) The ranks of general, lieutenant general, major general, senior colonel, and colonel are approved by the chairman of the Central Military Commission;

(2) the ranks of lieutenant colonel and major are approved by officers holding regular leading posts of the general departments, military regions, armed service branches, or units of the military region level of the People's Liberation Army; and

(3) the ranks of captain, first lieutenant and second lieutenant are approved by officers holding regular leading posts of group armies, or by officers holding regular leading posts of corps-level units which have the authority to appoint and remove officers.

Chapter V. Promotion in Rank of Active-Duty Officers

Article 17. Promotion in rank of officers shall be based on the following lengths of service:

(1) Lengths of service for promotion in peacetime: two years for officers with college education and above and three years for others from second lieutenant to first lieutenant; four years from first lieutenant to captain, from captain to major, from major to lieutenant colonel, from lieutenant colonel to colonel, and from colonel to senior colonel; promotion from senior colonel and above shall be selective and based on officers' jobs, professional competence, political integrity, and contributions to defense building; and

(2) Lengths of service for promotion in wartime can be shortened; and specific procedures shall be decided by the CMC in wartime situations.

Military academy attendance shall be included in the length of service required for promotion in rank.

Article 18. Officers shall in general be promoted one rank at a time based on the prescribed length of service.

Article 19. An officer who has completed the required length of service but, because of violation of military discipline, is disqualified for promotion in accordance with the CMC's relevant provisions, shall have the promotion postponed or shall retire from active duty.

Article 20. An officer whose rank is lower than the lowest rank of the T/O ranks for a new post he or she is promoted to shall be promoted to the lowest military rank of the T/O ranks of the new post ahead of time.

Article 21. An officer who makes outstanding contributions during combat or at work shall receive an advanced promotion in rank.

Article 22. The CMC shall confer the general rank on officers who have been appointed to the posts of CMC vice chairmen and members.

Article 23. Promotion in rank of officers other than those prescribed in Article 22 of these regulations shall be approved by the authority for the appointment and removal of military officers. However, promotion of officers in the following ranks shall be approved in accordance with the following provisions:

(1) Promotion of officers from deputy division-level posts (regular brigade-level posts) to senior colonels and from specialized technical officers to senior colonels, major generals, and lieutenant generals shall be approved by the CMC chairman;

(2) Promotion of specialized technical officers to senior colonels shall be approved by the regular directors of the PLA General Departments, or commanders of military regions, arms and services, and other units equivalent to the military-region level; and

(3) Promotion of officers from deputy battalion-level posts to majors, and of specialized technical officers to majors and lieutenant colonels shall be approved by the regular commanders with the power of appointment and removal of group armies or other army-level units.

Chapter VI. Demotion in Rank of Active-Duty Officers and Revocation and Deprivation of Their Military Ranks

Article 24. An officer whose rank is higher than the highest T/O rank for a lower-level new post he or she is to be transferred to because of incompetence in his or her present job, shall have his or her rank readjusted to the highest T/O rank for the new post. The authority for approving the rank readjustment is the same as that for approving the former military rank.

Article 25. An officer who has violated military discipline can be demoted in accordance with the CMC's relevant regulations. The authority for approving demotion in rank is the same as that which conferred the first military rank.

Demotion in rank does not apply to second-lieutenant officers.

Article 26. The length of service for an officer demoted in rank shall be recalculated based on the rank following demotion.

A demoted officer, who after demotion has corrected his or her mistakes and has scored outstanding performance in combat or at work, can have his or her required length of service for promotion in rank shortened.

Article 27. Military officers who are dismissed from their posts and who have their officer status removed shall have their military ranks revoked. The limits of authority within which the revocation of military ranks is approved shall be the same as those within which the conferment of ranks was first approved.

Officers who are expelled from the military shall have their military ranks revoked. The limits of authority within which the revocation is approved shall be the same as those within which the expulsion is approved.

Article 28. Law courts shall render verdicts depriving military officers of their military ranks if the latter have been sentenced to be deprived of their political rights or to more than three years in prison in accordance with the law after they have committed crimes.

Retired military officers who commit crimes shall be deprived of their military ranks in accordance with the provisions in the preceding paragraph.

If military officers who are deprived of their military ranks after they have committed crimes need to serve in the military and be awarded military ranks for officers after completing their prison terms, their cases shall be handled according to the provisions in Article 16 of these regulations.

Chapter VII. Insignia Based on the Military Ranks of Active-Duty Officers and Ways of Wearing Them

Article 29. The CMC shall promulgate the designs epaulettes of and insignia based on the military ranks of officers, as well as the ways of wearing them.

Article 30. The epaulettes and insignia worn by military officers must accord with their ranks.

Chapter VIII. Supplementary Provisions

Article 31. Separate provisions shall be made for the military rank system for reserve officers.

Article 32. The State Council and the CMC shall make provisions for the military rank system for rank-and-file soldiers.

Article 33. A police rank system shall be implemented for the Chinese People's Armed Police Force. The State Council and the CMC shall formulate specific methods in this respect.

Article 34. The PLA General Staff Department and General Political Department shall enact implementation methods in accordance with these regulations, report them to the CMC, and implement them upon approval by the CMC.

Article 35. These regulations shall take effect on the day of promulgation.

Appointment of Three New Ministers

OW1205133594 Beijing XINHUA in English 1319 GMT 12 May 94

[Text] Beijing, May 12 (XINHUA)—China named new ministers today for the Ministry of Geology and Mineral Resources and the Ministry of Radio, Film and Television, and an auditor-general for the auditing administration.

The appointments of Song Ruixiang, Sun Jiazheng and Guo Zhenqian to the top seats of the three ministries were respectively passed by the country's parliament at the Seventh Session of the Standing Committee of the National People's Congress [NPC], which ended today.

Song Ruixiang, 54, has been working at grass-roots geological and mineral resource departments for a long time. He is cited to be "decisive, daring and resolute in work."

Since 1980, Song held the posts of deputy director of the provincial geological bureau of Hunan, and deputy director and director of the geological bureau of Qinghai Province.

He became deputy secretary of the Qinghai Provincial Committee of the Communist Party of China (CPC) and governor of Qinghai Province in 1985. In 1989, he was named vice-minister of the geology and mineral resources.

The former geology minister Zhu Xun is now secretary-general of the Chinese People's Political Consultative Conference.

Sun Jiazheng, 50, replaced Ai Zhisheng as minister of radio, film and television, who became deputy director of the ideological and media work group under the CPC Central Committee.

Sun, a university graduate, is noted for his "reliable and safe methods in working." He held the posts of secretary of the Nanjing City Committee of the Communist Youth League of China (CYLC), deputy secretary and later secretary of the CYLC Jiangsu Provincial Committee.

He became a member of the Standing Committee of the CPC Jiangsu Provincial Committee, its secretary-general and secretary of Xuzhou City Party Committee in 1983. In 1986 he became deputy secretary of the Jiangsu Provincial Party Committee and head of the committee's propaganda department.

He is also an alternate member of the 14th CPC Central Committee.

The former vice auditor-general Guo Zhenqian, 61, replaced Lu Peijian as auditor-general of the auditing administration. Lu has been appointed chairman of the board of auditors in China's new policy-lending bank, the Development Bank.

Guo is said to be "familiar with the macro-economy and a capable leader."

He was once director of the Hubei branch of the People's Construction Bank of China, and then vice-governor of Hubei Province, and later its governor.

Guo became vice-governor of the People's Bank of China in 1990.

Official Introduces National Agenda 21

OW1305113994 Beijing China Radio International in English to Western North America 0400 GMT 20 Apr 94

[By China Radio International reporter Chen Yong; from the "Current Affairs" program—recorded]

[Text] China's economic reform has made tremendous progress but the country is facing a resources shortage, environmental pollution, and overpopulation. Vice Minister of the State Planning Commission Chen Yaobang says future development will pay more attention to sustainable development of the resources and the environment. He says China's National Agenda 21 aims at bringing industrial pollution under control by the year 2000. The National Agenda 21 covers the economic development, natural resources, environmental protection, agriculture, population, and education. The plan is China's response to the World Agenda 21 endorsed by the 1992 Earth Summit in Rio de Janeiro. All participating countries agreed to do their best to protect the

environment. Premier Li Peng attended the Earth Summit and promised to implement the resolution on behalf of the Chinese Government. Vice minister Chen Yaobang says China's National Agenda 21 was approved by the State Council in March this year.

Chen Yaobang says China's National Agenda 21 considers the country's actual conditions and the relationship between the population, environment, and development in the next century. Chen Yaobang says the plan is the guiding principle for the nation's long and medium term social and economic plans. The formulation of the National Agenda 21 has involved over 300 Chinese experts and has drawn the attention of the United Nations Development Program [UNDP]. The UNDP has worked with the Chinese Government for making Agenda 21. Chen Yaobang says Agenda 21 will be implemented in three phases. Sixty-three projects are included in the first phase of the plan. The projects are aimed at obtaining international cooperation. Chen Yaobang says the preferential project will give a boost to China's sustainable development. He believes the implementation can have some influence over global development. However, he says the implementation is a huge amount of investment.

Chen Yaobang says the first stage of implementation needs \$3.7 billion. The Chinese Government will cover 60 percent of the cost. The other 40 percent will be obtained through international donations. China is to hold an international donor conference in July to gain financial and technical assistance.

Authorities Release 5 'Offenders' Early

OW1305113494 Beijing XINHUA in English 0934
GMT 13 May 94

[Text] Beijing, May 13 (XINHUA)—Five offenders were recently released from education-through-labor institutions before their terms expire, according to a department concerned here.

Chen Zhuman, Yan Peizhi, Xu Zhihe, Cui Tai and Zhang Li were ordered to be re-educated through labor respectively between December 1991 and September 1993 because of disturbing social order and endangering public security by making use of religion.

Decisions to release them were made by the education-through-labor committees of Quanzhou City in Fujian Province, Weifang City in Shandong Province and Zhangjiakou City in Hebei Province. The department concerned said that they were released ahead of time because they had been amenable to discipline and behaved themselves during correctional period.

Procurator General Views Fighting Corruption 'Within'

OW1305085194 Beijing XINHUA Domestic Service
in Chinese 1040 GMT 26 Mar 94

[By RENMIN RIBAO reporter Wang Bixue (3769 3024 1331) and XINHUA reporter Zhang Yinshu (1728 6892 2562)]

[Text] 26 Mar, Beijing (XINHUA)—At a national meeting on discipline inspection in procuratorial organs today, Zhang Siqing, procurator general of the Supreme People's Procuratorate, pointed out: Procuratorial organs are an important force in the anticorruption struggle. They are also one of the departments designated by the central authorities as being of importance to the anticorruption struggle. To correct others, we must correct ourselves first. Procuratorial organs at all levels in the country must fight corruption in their own system and purify the procuratorial ranks to more effectively fulfill their roles in law supervision.

Zhang Siqing said: Procuratorial personnel are warriors at the frontline of the anticorruption fight, but they are also important targets which corrupt criminal elements try to win over to their side and corrode. From problems that have been exposed so far, we can see that only a small minority of the procuratorial ranks has violated the law and discipline. However, this fact has a very bad effect on the masses. It seriously ruins the image of procuratorial organs and damages the sanctity of the state legal system. Some procuratorial personnel have used their procuratorial authority to obtain personal gain or wantonly used their authority to infringe on the rights and interests of citizens, such as by using it to practice favoritism and commit fraud, to demand and receive bribes, and to leak classified information on cases which are being handled, and by wantonly using it to illegally detain people and extort confession by torturing people. These are the main manifestations of corrupt phenomena in procuratorial organs. We should focus on strictly investigating and dealing with these cases, which involve acts that violate law and disturb discipline. We must never connive with or tolerate such acts; nor should we cover up those acts or shield their perpetrators.

It has been made known that last year, while they were vigorously investigating and dealing with major and important cases involving corruption and bribery, the procuratorial organs focused on fighting corruption in their own system and scored a certain degree of success. Since August 1993, procuratorial organs at all levels have been comparing themselves to what is stipulated in provisions on honesty and self-discipline in order to investigate and correct themselves. At the same time, they have strictly investigated and dealt with cases involving procuratorial organs and personnel who violated the law and discipline. They investigated and dealt with 568 personnel who violated the law or discipline,

and they sorted out 24 types of fees and fines which were arbitrary collected or imposed within the procuratorial system.

Church Official on Religious Venue Regulations

*HK1305064994 Hong Kong SOUTH CHINA
MORNING POST in English 13 May 94 p 9*

[By Chan Wai-fong]

[Text] Instead of being outlawed by new regulations on religious venues, Chinese church leaders argue that a great majority of house churches will gain legal recognition and protection. But resistance is anticipated, particularly from lower level cadres, and conflicts are expected in the process of implementation. "There were reasons to fear that the process of implementation would not be without conflicts," Dr Konrad Raiser, general-secretary of the World Council of Churches, yesterday quoted church leaders in China as saying after a visit to China from May 5 to 11.

Official figures show that there are about seven million Christians in China, with a widely quoted 8,000 registered Protestant churches or 20,000 meeting places. But a larger number of believers stay outside the official Three Self Patriotic Church of China and prefer house churches.

House churches are estimated to have about 70 million members, and are branded underground by the Chinese Government. Violations against religious liberty by the state reportedly occur in these venues. "There is no prediction on what impact these decrees will have," Dr Raiser said.

But Chinese church leaders consider these rules progressive, he said, because local cadres who were largely without any control could now be held accountable. According to the new rules, the house churches now have to supply clear addresses, defined membership and clear financial conditions in order to register. Chinese church leaders expect a large number of the now unregistered meeting points to seek registration and public recognition for legal protection, Dr Raiser said.

Report on Leaders' Activities 5-12 May

OW1305043794

[Editorial Report] PRC media monitored by Okinawa Bureau carried the following reports on PRC Central leadership activities from 5 to 12 May 1994. The source is noted in parentheses after each report.

Liu Huaqing Inscriptes for TV Feature Film—On the afternoon of 4 May, a premiere was held at Fujian's Fuzhou city for a 10-part television feature film with a title inscribed by Liu Huaqing, Standing Committee member of the CPC Central Committee Political Bureau and vice chairman of the Central Military Commission.

Jointly produced by the Fujian Provincial CPC Committee Organization Department and the Fujian Provincial Border Defense Corps of the Armed Police Force, the film "Guards of the National Gateway—A Report From the Fujian Provincial Border Defense Corps of the Armed Police Force" depicts the life and spirit of border guards stationed in Fujian Province. (Beijing XINHUA Domestic Service in Chinese 0924 GMT 5 May 94)

Rong Yiren Reviews Draft Outlines for Patriotic Education—The CPC Central Committee Propaganda Department on 7 May invited responsible persons of 15 departments to a discussion to solicit their opinions on the "Program for Carrying out Education on Patriotism" (Draft for Soliciting Opinions), which was produced after the initial version had been rewritten five times since its inception in April 1993. Vice President Rong Yiren reviewed the "program" on 20 April, and fully affirmed the general framework of the document on 25 April. (Beijing XINHUA Domestic Service in Chinese 0829 GMT 7 May 94)

Peng Peiyun Visits Restaurant Promoting Family Planning—On 8 May, the first Chinese restaurant to propagate family planning opened in Beijing and was visited by State Councillor Peng Peiyun, minister in charge of the State Family Planning Commission. The restaurant—founded jointly by the Beijing Huajin Industrial Development Corporation, the Chinese Population Consultation Services Center under the State Family Planning Commission, and Thailand's Population and Community Development Association—provides customers with consultation services and propaganda matters on family planning in addition to quality food and entertainment. (Beijing XINHUA Domestic Service in Chinese 0816 GMT 8 May 94)

Chen Xitong at Beijing-Inner Mongolia Aid, Economic Talks—Beijing-Inner Mongolia talks on aid and economic and technical cooperation opened in Beijing on 9 May. Chen Xitong, CPC Central Committee Political Bureau member and secretary of the Beijing municipal party committee, met Inner Mongolian participants before the opening ceremony. (Beijing XINHUA Domestic Service in Chinese 0956 GMT 9 May 94)

Li Lanqing Addresses International Chemical Fiber Conference—State Council Vice Premier Li Lanqing on 10 May attended and greeted the opening of the fifth international conference on chemical fiber in Beijing. Li Lanqing said: The development of China's textile industry is based on vigorous development of the fiber material industry. While working hard to increase the production of natural fibers, we should devote major efforts to developing chemical fiber. "We will continue to introduce from abroad advanced technology and equipment for producing chemical fiber, absorb and utilize foreign capital, welcome the establishment of sole-proprietary or joint-venture enterprises by foreign investors in China, and develop Sino-foreign cooperative projects in production as well as research and

development of high and new chemical-fiber technologies." (Beijing XINHUA Domestic Service in Chinese 1049 GMT 10 May 94)

Zhu Rongji, Wang Hanbin Bid Last Farewell to Educationist—Zhu Rongji and Wang Hanbin attended on 11 May a ceremony to bid farewell to the remains of Liu Da [0491 6671]—a CPC member, renowned educationist, and honorary president of the Qinghua University who died of illness on 28 April. (Beijing XINHUA Domestic Service in Chinese 0952 GMT 11 May 94)

Chen Xitong Visits Beijing Train Station Construction Site—Accompanied by officials from Beijing and the Railways Ministry, Chen Xitong, member of the CPC Central Committee Political Bureau and secretary of the Beijing municipal party committee, on 12 May visited the construction site of the Beijing western passenger train station and heard a briefing on the project. He expressed "satisfaction" with the project's substantial progress. (Beijing Central People's Radio Network in Mandarin 1030 GMT 12 May 94)

Chen Xitong Attends Beijing Choral Concert—A grand opening ceremony for the "Fresh Flowers of May" mass choral concert was held at Chaoyang Stadium in Beijing on 11 May. At the ceremony, Chen Xitong, member of the CPC Central Committee Political Bureau and secretary of the Beijing municipal party committee, joined more than 3,000 people in signing the national anthem. (Beijing Central Television Program One Network in Mandarin 1100 GMT 12 May 94)

Science & Technology

Advances in Slurry Technology Noted

OW1105154294 Beijing XINHUA in English 1406 GMT 11 May 94

[Text] Beijing, May 11 (XINHUA)—China has caught up with the world's developed countries in the technology and industrial application of slurry, a new coal-based clean fuel.

Hao Fengyin, chairman of the National Research Center of Slurry Engineering and Technology, said that although China has been late in starting research in this field, it has developed its own set of technologies.

Slurry, composed of 60-70 percent of coal, 30-40 percent of water, and some one percent of additives to keep the mixture stable and fluid, is believed to be a good substitute for fuel oil.

The technology of slurry was born during the world oil crisis in the 1970s. The United States, Italy, Japan, Sweden and the Soviet Union invested large amounts of money and technical force in its research and development.

The Chinese Government showed interest in exploiting and using slurry to supplant oil, which was falling short

of demand, and listed slurry technology as one of the key projects for research in the three consecutive "five-year plans" starting from 1980.

During 1985-90, China succeeded in completing research of slurry, developed a complete set of technologies and built demonstration projects and bases for experimenting with slurry preparation, pipeline transportation and industry-oriented combustion.

Since 1990, the state has approved five energy-saving and environmentally sound projects using slurry instead of oil, bringing to a new stage the large-scale, streamlined industrial application of slurry technology.

At present, six slurry preparation plants have been built in China, with their annual production capacity totaling one million tons. Specialized workshops can produce 500 to 2,000 tons of slurry additives, with only two-thirds, or even half, the cost of their foreign equivalents.

Breakthroughs were also made in slurry combustion for industrial scale boilers and kilns and power plant boilers, slurry storage and transportation and research and development of specific equipment.

Hao said China is developing second-generation slurry technology, including preparation of super-low ash slurry and intensified low-sulphur combustion, which has attracted the attention of foreign counterparts.

It is estimated that by the end of this century, China's slurry production will replace 10 million tons of fuel oil and the capacity of pipeline transport will reach 30 million tons.

Hao said this will not only help ease the congestion of rail transportation, but also greatly reduce the emission of ash and other pollutants into the atmosphere.

China is rich in coal deposits as against oil resources, Hao said. Coal accounts for more than 75 percent of the country's consumption of primary sources of energy. "It is imperative to put the slurry technology into full play, so as to attract more clients, domestic and foreign," he added.

He proposed that a high-tech coal processing conglomerate be established based on the national research center to undertake large-sized projects in and outside China.

He also expressed China's willingness to develop international cooperation, from the pure technological type to an all-around one incorporating technology, industry and trade.

This would pave the way for China's slurry technology and products to enter world markets, he added.

Start Science, Technology Programs To Begin*OW1205050094 Beijing XINHUA Domestic Service in Chinese 0737 GMT 22 Apr 94*

[Text] Beijing, 22 Apr (XINHUA)—Through satellite, the China Educational Television Station will begin trial nationwide transmission of its new program: "The Great Scientific and Technological World" in the next few days.

The China Educational Television Station has made great efforts to build stations across the country. At present, there are more than 1,800 educational television stations, relay stations, and differential relay stations [cha zhuan tai 1567 6567 0669]; some 6,000 ground stations for receiving educational television programs through satellite; and more than 50,000 educational program recording and playing spots in various provinces, cities, prefectures, counties, and townships across the country. More than 35 million people directly receive educational television programs.

The "Great Scientific and Technological World" program will formally start in July this year. It will have such contents as scientific knowledge, application of scientific achievements, technological education, and market information. At the same time, it will widen viewers' vision by broadcasting the world's high and new technology trends, to raise the entire nation's science and technology awareness and develop the nation's economy. The program will air twice a week. It has six parts—science and technology of the world, the technology market, special-topic reports, mysteries of nature, scientists and technicians, and the history of science and technology.

Nation To Advance Cable-Stay Technology*OW1205023094 Beijing XINHUA in English 0127 GMT 12 May 94*

[Text] Shanghai, May 12 (XINHUA)—Cable-stayed bridge design in China will be advanced synchronously with this industry in the world, according to a famous Chinese bridge expert.

"It will be advancing towards spans of over 1,000 meters sooner or later," Lin Yuanpei, general designer of the Yangpu bridge—the world's longest—told over 200 foreign specialists at a recent international symposium in this city.

He said that within a period of less than 20 years, China has proceeded to become one of the pioneers of the world in this field.

In the mid-1970s, China had only one cable-stayed bridge with a 76-meter span.

In the 1990s, two huge bridges were set up across the Huangpu river in Shanghai. Nanpu bridge, built in 1991, boasts a span of 423 meters, and the Yangpu bridge, which was completed last year, is 602 meters in length.

So far, the country has 40-odd stay cables.

Lin also said that a third stay cable for Shanghai is on the drawing board and is expected to be finished in 1996.

The four-day symposium received over 90 theses on the latest developments in the field.

Some well-known experts took part in the meeting, including Li Guohao, honorary president of Tongji University.

Military**Army Raises Profile in Beijing***HK1205055294 Hong Kong SOUTH CHINA MORNING POST in English 12 May 94 p 12*

[By Geoffrey Crothall in Beijing]

[Text] In a show of force triggering memories of the Tiananmen Square massacre, six People's Liberation Army trucks roared through Beijing's centre yesterday. The convoy of trucks, each carrying about 50 soldiers from the Beijing Military Region, was indicative of the Army's heightened profile around the capital ahead of the fifth anniversary of the June 4 massacre.

Troop trucks and other army vehicles have been sighted in increasing numbers over the past two weeks, particularly in Beijing's northwestern university district, but yesterday's daylight procession past the China World Trade Centre was perhaps the most blatant demonstration of the military's presence so far. "They did not seem to be armed but it was still a little scary," said an office worker at the World Trade Centre who watched the convoy pass. "I hadn't seen anything like that since 1989. It was weird."

But despite the Army's higher profile, military analysts said there was little to suggest that troop numbers actually had increased in the capital over the past few months. The Army maintains about 50,000 troops in the Beijing Municipal District.

Likewise, the People's Armed Police (PAP), which has between 30,000 and 50,000 officers in Beijing, does not appear to have acquired reinforcements in the past couple of months. "I think they are just trying to let the people know they are there and that no one should try anything stupid in the run-up to the (June 4) anniversary," a Western military attache said. "The number of military and PAP troops in Beijing at the moment should be enough to handle any disturbance."

Navy Improves Educational Levels of Servicemen*OW1205094694 Beijing Central Television Program One Network in Mandarin 1100 GMT 24 Apr 94*

[From the "National News Hookup" program]

[Text] Ninety percent of the military commanders of the main combat fleet under the People's Navy have achieved an educational level equivalent to a regular university degree. This is one of the hallmarks of a new stage in the Navy's modernization.

According to what a reporter saw during a tour of a certain submarine detachment in the North Sea Fleet, officers and men have acquired a range of training methods aimed at improving their overall fighting capability with the assistance of existing equipment in complex settings; this has been made possible by the general improvement in their educational levels. Their detachment has been named as an all-army, advanced training unit for two consecutive years. [video shows a submarine anchored at sea, military officers in a meeting, and a submarine heading out to sea]

The Navy is a knowledge- and technology-intensive service. In its early days in 1949, most captains did not even have a primary school education. Since the fifties, the Navy Vessels Academy, the Navy Submarine Academy, and other naval academies aimed at training commanders for troops on surface vessels and submarines have been established one after another. Most of the Navy's primary-level commanding officers are graduates of those academies. Commanding officers of all ranks must undergo training anew in those academies or training groups if they want to be promoted. This will enable them to constantly renew their knowledge, improve their strategic and command skills, and master the various modern equipment and systems employed at their posts and their ranks. Nineteen cadres from a certain detachment in the East Sea Fleet have been admitted to Chinese University of Science and Technology and other major colleges and universities for graduate programs leading to master's and doctoral degree. [video shows file footage of old surface vessels, cutting to show naval personnel attending class and operating computers and other equipment with the assistance of instructors]

Air Force Pilots Increase Ability Through Education

OW1205114994 Beijing XINHUA Domestic Service
in Chinese 0521 GMT 25 Apr 94

[By reporter Xiao Pu (5135 3877)]

[Text] Beijing, 25 Apr (XINHUA)—The Air Force has scored marked achievements in training capable pilots. A few hundred pilots who are capable of meeting the challenge of air combat, who understand foreign languages, and who know how to operate computers are gradually becoming the Air Force's backbone force for striding from this to the next century.

According to a briefing by an Air Force department, the development of modern aviation technology and the improvement in the performance of weapons and equipment demand that pilots be very capable. For this reason, the people's Air Force added mathematics in

pilot colleges. In addition, it organized English classes for pilots in 1983 and later added computer science and high-technology subjects, and all pilots are required to attend these classes on a rotational basis. At present, a few hundred pilots are able to understand, speak, read, write, and translate English; they have also mastered computer principles, computer programming, and computer operation and utilization. Through self-study, a number of pilots have mastered Russian and other languages, and a marked change in their level of knowledge has taken place.

Their advantages are clearly demonstrated in their flight training and contacts with foreign countries. According to a briefing, these pilots are more able to adapt to and accept new ways of flight training, and they especially do better in test-flying new-model aircraft and undergoing difficult training programs. Some pilots have even raised their training efficiency by 100 percent. In carrying out their flying mission to protect foreign guests, their outstanding performance has won many praises from foreign pilots and experts. An Air Force source said the increase in the number of capable pilots has great significance for raising the combat capability of the Air Force and for expanding contacts with foreign countries.

Economic & Agricultural

Daily Views Reforms in Beijing Corporation

Part One

HK1205004294 Beijing RENMIN RIBAO in
Chinese
7 Apr 94 pp 1, 4

["Marching Toward the Modern Enterprise System" column, by staff reporter Wu Changsheng (0702 7022 3932): "The Market Calls for a New Role—Reports on Comprehensive Reforms Carried Out by the Beijing First Light Industrial Corporation (first installment)"]

[Text] Editor's Note: Clearing Our Thoughts, Doing Things Discreetly

Beginning today, a series of reports will be published in this newspaper on the comprehensive reforms carried out by the Beijing First Light Industrial Corporation. The corporation's reforms and exploration are still in progress and its experience is only preliminary. The main reason for a series of reports to be published on it is that we want the reading public to more thoroughly understand the basic train of thought of the corporation's reform. It would never be our aim to encourage everyone simply to copy the corporation without paying any attention to his own conditions, neither do we intend to popularize the Beijing First Light Industrial Corporation as a so-called "model." Since different localities have different conditions, the exploration of reform can be and should be varied, but a common point of departure must be grasped firmly, which is to develop and strengthen the state-owned economy and to ensure that

the value of state-owned assets can be maintained and increased. This is also the basic point of the reform experience of Beijing First Light Industrial Corporation.

Once the train of thought of reform is determined, concrete work must be done in a safe and discreet manner. Strategic considerations are not tantamount to tactical operations. Negative effects may be brought about if one stresses only good wishes while doing one's work, but disregards the peculiarities of the time and the situation. For example, we can never take the flexible use of assets as simply the reorientation of land use; neither can we set off another upsurge of real estate development in the name of learning from the Beijing First Light Industrial Corporation. State-owned assets cover a very wide range, and land is only a very small part.

Shortage of funds, overabundance of personnel, and rigid asset application are the three problems generally being encountered by state-owned enterprises at present. Under the guidance of Comrade Xiaoping's southern-tour remarks and the spirit of the 14th Party Congress, the Beijing First Light Industrial Corporation proceeded from reality to blaze a new trail of comprehensive reforms in asset appreciation, transformation of industries, transformation of functions, transformation of the mechanism, and transfer of workers and staff to other work units, thus finding the key to solving these three problems.

According to comrades of the Beijing First Light Industrial Corporation, rigid asset application is the knot of the three problems, and the others can be solved readily once this knot is untied. Therefore, although many aspects are involved in the Beijing First Light Industrial Corporation's reform, the enterprise ownership reform remains its nucleus.

How did they untie the knot? What kind of key did they find? We will publish four reports to answer these questions one by one. Our reporters still found it interesting to address the issue after finishing four reports on it. Hence, we will publish a fifth report, in which the reporter and people concerned will speak on what we actually get from the reforms carried out by the Beijing First Light Industrial Corporation. Of course, the reading public is very welcome to discuss this with us. [end editor's note]

"The starting point of the Beijing First Light Industrial Corporation is not a premeditated scheme, but practice. Up to now, they have taken an entirely step-by-step approach to work."

—Opening remarks made by a comrade of the Beijing First Light Industrial Corporation who was familiar with the whole process of systematic reform

In a football game, "offside" means breaking the rules. In order to find a way out for the enterprise, the Beijing First Light Industrial Corporation was unconsciously on the

"offside"—turning its attention from dealing with products to dealing with state-owned assets. A fortuitous "offside" made an impact on the whole system.

State-owned enterprises abstain from talking about "death," and so did the Beijing First Light Industrial Corporation. Although the Bankruptcy Law was introduced several years ago, and the idea of "euthanasia" is accepted by more and more people, after all, owing to environmental limitations, only a few enterprises have resorted to "euthanasia." Many enterprises originally thinking of an "easy death" often give up the idea because they "cannot bear such a death" and they are still bitterly fighting for their "mere existence."

To our surprise, however, the Beijing First Light Industrial Corporation miraculously and quietly "died" in the past two years or so, without causing any sloppiness or trouble.

The first case in point was the former Beijing No. 2 Eyeglasses Plant. From 1984 on, faced with increasingly fierce market competition, the plant failed again and again. In 1991, the capacity utilization rate was less than 30 percent, the annual per capita income of workers and staff was a mere 2,400 yuan, and the plant's deficits accumulated to 1.2 million yuan. At the same time, hundreds of individual household traders emerged around there who were running eyeglasses industries and processing eyeglasses, and their business was good. After conscientiously weighing the pros and cons, the plant decided to "transfer" from the "secondary industry" to "tertiary industry." With the support of industrial and commercial departments, in August 1991, the Beijing No. 2 Eyeglasses Plant was transformed into a specialized eyeglasses wholesale market with over 500 stalls, which attracted not only numerous individual household traders in the area, but foreign businessmen as well. The annual turnover reached 130 million yuan, which not only offset the enterprise's deficits, but reaped more than 1 million yuan of profits. Former staff and workers changed their occupations and acted as security guards, cleaners, and transport personnel, and the annual per capita income almost doubled. Last year, the Beijing No. 1 Eyeglasses Plant—an "associate" of the Beijing No. 2 Eyeglasses Plant which also was running in the red—was incorporated into the eyeglasses market. The largest eyeglasses center in our country will be built here.

The second case was that of the No. 1 Branch Factory of the Beijing Lighting Equipment Company. From 1988 onward, this factory—which produced traditional lamps for civilian, industrial, and mining use—was in a predicament. In 1991, it incurred more than 500,000 yuan in deficits. The company took notice of the superiority of the No. 1 Branch Factory's location, in the bustling Xizhimen section, and decided to rebuild it into a commercial building that would specialize in selling communications equipment. In August 1992, the building opened for business. Although it was owned by the state, the business was privately run and contracted

by staff and workers. In consequence, it reaped 160,000 yuan in profits in 1992 and over 2 million yuan the following year.

The third case was that of the Beijing Lamp Factory. Owing to its running in the red and incurring debts year after year, the factory was incorporated into the Xinhai Instrument Company in September 1992. The lamp factory's former main production building was rebuilt into the Caishikou Xinguang Commercial Building, of which some floors were leased, while some others were used by the company for sales of instruments and lamps. Last year, the commercial building reaped more than 700,000 yuan in profits and the income of staff and workers increased by over 40 percent. Most of the staff and workers were transferred to a piano plant that was short of labor. In consequence, the piano plant was able quickly to expand its scale of production and increase its output, profits, and taxes.

Viewed from the product angle, these factories—as enterprises manufacturing certain kinds of light industrial products—really are “dead,” and they have been removed from the “roll” of secondary industry. Viewed from the enterprise angle, they are still open for business, and their staff and workers are still working and being paid because, even though the “secondary industry” is dead, the “tertiary industry” was born. Viewed from the angle of assets, state-owned assets—which are created by state investment—are neither dead nor lost, but reinvigorated with their value greatly increased!

All these things are neither readjustment of the product structure nor simply industrial transformation, but indicate a kind of change in nature—breaking through the barriers of products and industries, and achieving a transformation from the running of a certain kind of products to the running of state-owned assets. Although the transformation was started unconsciously and at a time when the goal of socialist market economic reform had not been clearly fixed, real actions were taken, and they have successfully redistributed resources while standing in the commanding position of running the main body of assets and following the market course.

This kind of unconscious “offside” practice has not only reshaped the enterprises’ external images and transformed their internal mechanism, but more important, has had a huge impact on the Beijing First Light Industrial Corporation as a whole.

An “offside” is often the starting point of reform. When people are aware of the fact that an “offside” precisely fills the “gap” of owners (representatives) of state-owned assets, “filling the gap” will become a strong voluntary demand.

The Beijing First Light Industrial Corporation, which was formed and departmentalized according to product categories during the planned-economy period, once scored brilliant achievements. Not to mention the “three renowned pieces”—watches, bicycles, and sewing machines—which were popular, personnel of the Beijing

First Light Industrial Corporation are really proud of the fact that the “Beibingyang” soft drink and “Hongxing” sorghum spirits monopolized the capital’s market for a long time.

After the policy of reform and opening up was started, however, the Beijing First Light Industrial Corporation came across the problems generally encountered by state-owned enterprises. Moreover, the corporation was faced with more and more special problems: Small production scale, obsolete equipment, overabundance of personnel, and low-technology products. In consequence, the corporation failed again and again because it could hardly adapt itself to the intense market competition. The most distressing problem was that owing to the expansion of urban districts, many factories that lay between residential and commercial districts became annoyances and were urgently required to move elsewhere. However, there simply was no way to raise 1.5 billion yuan for moving expenses. Up to the early 1990’s, 30 percent of the more than 120 enterprises under the Beijing First Light Industrial Corporation were in the red, and products manufactured by over 35 percent of these enterprises were unsalable. From 1990 to 1992, the whole corporation earned fewer and fewer profits, which dropped from 110 million yuan to 90 million yuan and then to just over 60 million yuan.

As a matter of fact, like all other state-owned enterprises in the last decade or so, the Beijing First Light Industrial Corporation also made constant progress by following the general trend of reform. It delegated power to lower levels and let them retain a proportion of profits, changed profits into taxes, implemented the contract responsibility system, and put the Regulations into effect, without missing any single link. All of these reforms played a positive part in promoting the development of the enterprises, and a small number of the enterprises still were faring quite well. We should say that without implementing these reform measures, the Beijing First Light Industrial Corporation certainly would have encountered many more difficulties than it did. As far as the whole body is concerned, however, the situation of the Beijing First Light Industrial Corporation was becoming more and more grim. By drawing on the experience of coastal areas and by conscientiously analyzing the situation of the enterprises under the corporation after Comrade Xiaoping had made his southern-tour remarks in 1992, the decision-makers at the Beijing First Light Industrial Corporation concluded: Objectively speaking, the corporation was being surrounded by five “circles”—joint-venture enterprises, town and township enterprises, enterprises in special economic zones, civilian-run enterprises, and import goods—and subjectively speaking, the corporation was still fettered by five shackles—the petty production concept, the influence of “leftist” ideology, the sluggish transformation of government functions, the ossified administrative system, and an inflexible operational mechanism. In addition, the corporation bore three

heavy burdens—overabundance of personnel, shortage of funds, and difficulties in making an inventory of assets.

Where does the crux of this situation lie?—Sluggish reform. A vertical view shows that in the past, the Beijing First Light Industrial Corporation based its reform primarily on improving a single type of product, to the benefit of a single enterprise, but nothing was done explicitly to set a goal for preserving and heightening the value of state-owned assets. Moreover, its enterprises did not have the right to manage the assets and they need not and could not flexibly distribute resources within a wider scope in light of changes in market demand, hence its enterprises could not sustain deficits once incurred. As far as the ultimate ownership is concerned, the assets of these enterprises belong to the state, a fact that is never ambiguous, but in reality, it is very difficult for the state to be concretely in charge of each of the enterprises, thus giving rise to the phenomenon of a "gap" in the main body of ownership. Filling the "gap" has become a task of paramount importance in deepening the reform of state-owned enterprises. One of the important factors accounting for stronger vitality of joint-venture, private, and stockholding enterprises is precisely the availability of ownership representatives, and basically, the nonexistence of the nominal post of "person-in charge." A lateral view shows that past reform attached importance to making a breakthrough in a single area while neglecting the importance of promoting corresponding progress in other areas, hence the short-term effect was prominent, but after some time, the effect gradually faded and the reform was subject to various limitations. The market is ruthless, and market competition at present is, in reality, a competition of reform. Anyone who is sluggish in reform will become passive and may be thrown out of the market, which is developing at a high speed! This is the truth proven by innumerable facts.

Reform must be deepened vigorously! Reform must be promoted in a comprehensive manner! At a moment when its fate hung in the balance, the Beijing First Light Industrial Corporation had no retreat, but could only make this choice. How to make things work, however, is a very realistic problem.

Some people suggested that the 120 or so enterprises could part company with each other and each seek its own way out. However, as proven by practice, this method will not work. Some enterprises can "fight their way out of the heavy encirclement," but owing to different bases and qualities, a considerable number of enterprises still, just as in the past several years, will be in a state of not knowing whether they can survive or not, and it is inevitable that they will blindly readjust their structure, thus causing great losses to the Beijing First Light Industrial Corporation, which is a state-owned asset. As far as comprehensive reform is concerned, it is impossible for any single enterprise to accomplish it. Not to mention other problems, under the present circumstances in which the social security system is not yet

perfect, the mere existence of several tens of thousands of personnel seeking reemployment and over 20,000 retired staff and workers is sufficient to have quite a large impact on social stability.

Could all the work be handled and administered entirely by the municipal government? Such a practice does not accord with the reform orientation of separating the functions and responsibilities of administration from those of management, and in reality, this will not work. In the past several decades, the government has played a role of chief factory director bearing "unlimited responsibilities." The conclusion was reached long ago in history: Facing the volatile market and tens of thousands of enterprises, the government cannot and does not have the strength to handle all the work.

The Beijing First Light Industrial Corporation, with billions in state-owned assets, had an urgent need for a genuine "person-in-charge," and the corporation's more than 100 enterprises were eager to have an "operator" to coordinate their comprehensive reform. It was precisely under such circumstances that a new role mounted the great stage of the market economy, and the first company in Beijing for the management of state-owned assets—the Beijing First Light Industrial Corporation—emerged as required by the times!

Part Two

HK1205004894 Beijing RENMIN RIBAO in Chinese
8 Apr 94 p 2

["Marching Toward a Modern Enterprise System" column, by staff reporter Mo Xinyuan (5459 2450 0337): "Molding Oneself According to the Owner's Demand—Reports on Comprehensive Reforms Carried out by the Beijing First Light Industrial Corporation (second installment)"—first paragraph is editor's note]

[Text] Editor's Note: The first installment, entitled "The Market Calls For a New Role," mainly relates the Beijing First Light Industrial Corporation's efforts to explore reform before it became a state asset management company, suggesting that its transformation into a "new role" has been entirely the outcome of deepening reform and an inevitable progression in coping with market economic development. This article mainly explains the difference between the new Beijing First Light Industrial Corporation and the old one, following its transformation. What are its responsibilities and rights in its relations with the higher authorities? How will it affect its subordinate enterprises as the "boss" of state assets? How have they changed their relationship from one between "mother-in-law and daughter-in-law" to one between "mother and son?"

"The separation of asset management from government administration is an important condition for the separation of enterprise management from government administration. The universal significance of the Beijing First Light Industrial Corporation's reform finds expression

in the creation of state asset representatives in enterprises themselves. They can ensure and increase the value of state assets and operate state assets according to market economic demands."—Written by a person in the State Structural Reform Commission who is familiar with the Beijing First Light Industrial Corporation's reform.

At its 19th Standing Committee meeting on 13 August 1993, the Beijing Municipal Government decided to authorize the Beijing First Light Industrial Corporation to manage state assets. Subsequently, in accordance with the decision by the municipal government and under the specific guidance of the Beijing Municipal State Asset Administration, the Beijing First Light Industrial Corporation completed the verification and appraisal of the corporation's state assets after three months of busy work. On 7 December of the same year, it registered the following: Legal person's name: The Beijing First Light Industrial Corporation. Registered capital: 1.288 billion yuan. First item in its business scope: State asset management.

In Beijing, this was the first enterprise granted the right to manage state assets.

After an enterprise is authorized to manage state assets, is it an operator or the owner's representative? If it is the former case, reform is stagnant; if it is the latter case, a breakthrough is made in reform. The Beijing First Light Industrial Corporation has transformed itself from an "employee" into the "boss" representative.

What does it mean to authorize an enterprise to manage state assets? On this question, this reporter [Mo Xinyuan] interviewed Cui Zhian, chairman of the board of the Beijing First Light Industrial Corporation.

[Cui] There are still different opinions on this question. Some people are still of the opinion that what has been granted to the enterprise is only an operating right; the state is still the owner and the enterprise is only an operator. We do not agree with this view. In our opinion, this authorization has made us a representative of the owner who possesses that part of state assets. We represent the state in exercising ownership, therefore we are the owner.

[Mo] What is the difference between being an operator and being the owner?

[Cui] According to these people's opinion, the state is the owner and we are only the operator. In this case, our reform is stagnant. For a long time, the relation between management and ownership in state enterprises has been unclear. It has been unclear who will represent the owner of state assets. Under the planned-economy structure, the entire country was a great factory and all enterprises were its workshops. This no longer suits the market economy. Only when an enterprise becomes a competitive body of "four self's" [self-accumulation of funds, self-construction, self-management, and self-assumption of responsibility for profits and losses], can it enter the

market. This is an essential demand of the market economy. If the enterprise is an operator and the state is the owner, problems will arise in two aspects. The first is that if the state is the owner, it is "false" because either everyone or no one can represent it—a case resulting in the falsification of the asset ownership body and a large-scale loss of state assets. The second aspect is that if the owner is represented by a government department, this will cause the mixing of enterprise management and government administration, and the enterprise will become the subsidiary of a government department. Moreover, if a government department is the owner, it will find it difficult to enter the production factors market or to engage in the trading of proprietary rights; thus it is also impossible to display the basic role of the market in optimizing resource distribution.

In its reform, the Beijing First Light Industrial Corporation faced not only low economic results, but a number of problems as well, such as upgrading its production, adjusting its arrangements and structure, and optimizing its resource distribution. To resolve these problems, it will not do to rely on enterprise reform alone; there is a need to create a new type of state asset representative that can perform ownership over the part of state assets within the framework of authorization and also can operate this part of state assets in the market as an enterprise.

[Mo] With this authorization, the enterprise has ownership. Does this mean carving out state ownership over state assets?

[Cui] This is not carving out state ownership, but grading it. The decision of the Third Plenary Session of the 14th CPC Central Committee formed the concept about the proprietary right of an enterprise's legal person. This is a major breakthrough in China's enterprise reform theory, and points out the orientation for clearly defining the relationship between management and ownership. The state has final ownership, whereas the enterprise has the legal person's proprietary right. This is graded ownership. Without this graded ownership, the separation of enterprise management from state administration will forever remain empty talk. Through our own reform, we have understood that the asset dispenser's ownership can be derived from between these two tiers of ownership. This asset dispenser's ownership will be undertaken by the state asset representative authorized by the state so as to ensure state asset value and increments in this value. The essence of authorized operation is the separation of government administration from asset management. The enterprise will operate this part of state assets and also can make investments. Therefore, the grading of state asset ownership does not change the nature of state ownership over state assets; it confirms the rational existence form, task, and responsibility of state asset ownership at different levels of economic operations according to market economic demands so as to promote state-owned economic development. Obviously, this falls into the category of system formation.

With this authorization, we have formulated regulations that provide, among other things, for the following: "This corporation is a state asset representative with legal registration and is a wholly state-invested corporation with limited liabilities." "As the asset owner, this corporation represents the state in operating and managing the part of state assets within the framework of government authorization." With this new status, we can possess the "key" to practicing the optimal distribution and rational circulation of the state assets in the former light industrial departments affiliated with the corporation.

It does not matter whether one's power is great or small, but the most fearful thing is undefined responsibility. With a clearly defined relationship between management and ownership, enterprises can perform their different duties and functions. The relationship between the Beijing First Light Industrial Corporation and its affiliated enterprises has changed from one between "mother-in-law and daughter-in-law" to one between "mother and son."

The Beijing First Light Industrial Corporation has 122 enterprises and institutions. These include enterprises manufacturing brand-name products, like the Xinghai Piano Factory, the Hongxing Brand Liquor Distillery, and a wristwatch factory. There are enterprise groups comprising dozens of enterprises, such as the glass group company, the paper manufacturing group company, and the Liyuan company. There are also 85 joint-venture factories, centers, and projects. What changes has the establishment of the Beijing First Light Industrial Corporation as a state asset owner brought about in these enterprises? What impact has it had? Let us listen to Assistant General Manager Yang Zhide's explanations:

[Yang] After clearly defining the corporation's reform ideas, we held several discussions with enterprise leaders. Early this year, we held a work meeting for leaders of enterprises and institutions affiliated with the corporation, during which our reform program was submitted for discussion. This reform program was unanimously supported by the participants.

The most important change was the establishment of the Beijing First Light Industrial Corporation as the "boss," which can influence its subordinates with its power. It has the right and power to benefit from the assets, to make major decisions, and to select managerial personnel, but it does not interfere in the daily production and operations of its affiliated enterprises. The assets of its affiliated enterprises are formed with the corporation's investments, and these enterprises are responsible for ensuring the value of these assets and also their increments. Thus the relationship between the corporation and its affiliated enterprises has changed from one between "mother-in-law and daughter-in-law," which is of an administrative subordination nature, to one between "mother and son," which is characterized by the relationship between management and ownership.

[Mo] Does this change make enterprise leaders feel they have been "downgraded"?

[Yang] The separation of the owner from the operator is the demand of social productive forces' development. The positions of the owner and the operator must not be mistaken, as this could lead to confusion. Some of our enterprise leaders think they are the owner's representatives. This is a misunderstanding resulting from a confused idea about the relationship between management and ownership. As a matter of fact, a clear definition of enterprise roles, responsibilities, and rights will be more favorable for them in the performance of their duties and functions.

In the past, when a government department formed a company, it abolished the legal person's position of the enterprise affiliated with it. We do not do this. The mother company and the branch company are independent legal persons enjoying an equal position in civil rights. The branch company possesses the right to the legal person's assets formed with the investments of the asset dispenser, including the state. It carries out independent operations, assumes sole responsibility for its profits and losses, pays taxes according to regulations, and enjoys all the rights provided by Enterprise Law, the Regulations on the Transformation of State Enterprises' Operational Mechanisms, and Beijing's methods for implementing these regulations. Therefore many enterprises are of the opinion that we are not withdrawing powers from them, but are delegating powers to them. Comrades in these enterprises said jokingly: Evidently, "mother is more intimate to son" than "mother-in-law to daughter-in-law."

[Mo] How does the mother company manage the assets?

[Yang] First, it practices a new leadership system, which is the general manager responsibility system under the leadership of the board of directors. Second, it has established rules and regulations, such as the company's regulations, methods to operate and manage state assets, and methods to award or punish operators. Principal enterprise leaders will be awarded or punished according to the letter of responsibility for state asset operation and the contract of responsibility for target fulfillment, by referring to the increment rate, profit rate, and net turnover of state assets, as well as the fulfillment of other targets. In short, the previous practice of exercising management over enterprises to the neglect of state assets has been changed to the current practice of exercising management over state assets while relaxing control over enterprises.

In the next step, we will introduce graded authorization. Large group companies will be granted asset operational rights in light of their specific conditions so that they will be entitled to an asset dispenser's status, which will be favorable to asset invigoration in the group companies themselves.

"Through a thorough transformation, we can free ourselves from miscellaneous administrative affairs and

concentrate on this entirely new field: Making an overall plan for further development of assets, optimization of resource distribution, and adjustment of the structure," Cui Zhian said excitedly. "The power of models is limitless. Now many enterprises and staff members in cities who cannot see their development prospects have asked us to 'optimize their resource distribution' as soon as possible so they can learn from the match factory in revitalizing itself.

("The new role" has come up to the stage. How does it actually perform? Where is its ignition point? Please read part three of these serial reports—"The Hongyun Company Builds a Bridge.")

Part Three

HK1205005494 Beijing RENMIN RIBAO in Chinese 9 Apr 94 p 2

["Marching Toward the Modern Enterprise System" column by staff reporter Zhu Jianhong (2612 0494 4767): "Hongyun Company Builds the Bridge—Series of Reports on Comprehensive Reforms Carried Out by Beijing No. 1 Light Industrial Corporation (Third Installment)"—first paragraph is editor's note]

[Text] Editor's note: If the previous installments of this series, namely, the first installment, "The Market Calls for a New Role," and the second installment, "Molding Oneself According to the Owner's Demands," focused on introducing the mental approach of Beijing No. 1 Light Industrial Corporation [BLIC] to reforms, the following installment concentrates on explaining in specific terms how they operate. Reforms require inputs. The "Hongyun" Company is a "starter [qi dong qi 0796 0520 0892]" of the BLIC for pooling input funds. With the special powers vested in it by the higher authorities, Hongyun gave play to the corporation's advantage in available resources in accordance with Beijing's urban master plan and the state industrial policy, thus allowing the re-exploitation of the BLIC's stock assets. Within six months, the "starter" activated the entire BLIC community. With the BLIC's change of identity, a definite goal came to be seen, i.e., ensuring the increasing value of state assets.

Increasing value is possible only when the assets are in active operation. For assets to be adjusted from an idle state to an active state, inputs of capital are needed. Among the three major difficulties facing state enterprises, "lack of money" is a key problem. The BLIC used a weapon unique to the market economy, namely, the joint-stock system, and activated management of state assets.

Before this, in fact, they had thought about how to make state assets active and had taken action accordingly.

A large work force, a small amount of money, and an asset stock that was hard to activate were like three mountains pressing on the BLIC, making it hard to breathe. The most important inspiration they drew from

Deng Xiaoping's remarks in South China in 1992 was that they must make efforts to emancipate their minds and change concepts, choose the right point of breakthrough, and break out of confinements.

They looked back and reviewed a series of past reform explorations which had somewhat stepped beyond prescribed limits:

Beijing No. 3 Glass Factory used to operate in a busy downtown area and caused pollution and disturbance to residents. It was only after it received foreign investment through equity participation that it could move from the downtown area to outside the city's No. 4 Beltway and embarked on a new phase of development from a high starting point.

Beijing No. 2 Spectacles Factory stopped producing glasses and started doing business in the optical market. By doing so, it not only adjusted its industrial line according to the orientation of the market, but also materialized differential earnings from land [tu di ji cha xiao yi 0960 0966 4787 1567 2400 4135].

Beijing Lighting Equipment Factory also adjusted its structure according to the orientation of the market, revitalizing itself and achieving the optimal disposition of its assets....

Judged by the old standards, a large work force and numerous enterprises making little profit or at a loss were all burdens that were hard to get rid of. However, when viewed from a different angle, the stock assets of the BLIC are actually an enormous pool of resources. They had 56 enterprises within and along the No. 3 Beltway in Beijing, occupying a total of 1.3 million square meters of land. Once exploited, these resources would make an inestimable contribution to changing BLIC's situation when the development and renovation of Beijing reached a high tide. The BLIC drew up a new development strategy: backing away from the secondary and entering the tertiary, i.e., conducting industrial transfers on urban enterprises engaged in secondary industry in order of priority to exploit differential earnings from land and develop tertiary industry; and moving beyond the No. 4 and entering the secondary, i.e., moving production elements transferred from the urban area to outside the No. 4 Beltway in accordance with state industrial policy and the urban development master plan and developing secondary industry on a high basis.

This is a major example of industrial transfer executed by way of the re-exploitation of assets. The number one task was to put capital into circulation.

Methods of financing are many, but not for BLIC. BLIC at that time was a nominal enterprise, which was in fact merely an administrative organ without the authority to extend credit. Funding from the government was for the purpose of sustaining the corporation's administrative operations. Therefore, they had to resort to different channels of financing. They chose the mode of a limited

liability company and raised large amounts of money from society at large by setting up joint-stock companies and obtaining the capital funds for the ongoing exploitation [gun dong kai fa 3340 0520 7030 4099] of assets.

In July 1993, Beijing Hongyun Property Company Limited, which is held by BLIC, was founded by "special approval." The capital stock of Hongyun was 150 million yuan. Of this capital stock, 135 million yuan comprised corporate shares, of which 110 million yuan was subscribed by the five promoters. In addition, 25 million yuan was raised from designated legal persons from society at large and internal staff shares were worth 15 million yuan. In this way, the Hongyun Company managed to raise a total of 190 million yuan.

"Money spent should buy in a new mechanism." If the Hongyun Company had not faced the market but had continued to operate in the mode of administrative management, the bridge it had built would not have led BLIC toward the modern enterprise system.

The Hongyun Company is a product of the market economy. It was incorporated under the rules of a market economy and the degree of standardization in this company was fully affirmed by relevant personalities.

In enlivening the state asset stock of BLIC as a whole, the Hongyun Company undertook the heavy responsibility of raising starter funds, implementing industrial transfer through ongoing exploitation, and accomplishing the re-exploitation of existing assets. To cater to this special mission, the municipal government decided to grant the Hongyun Company the right to (general) real estate development. In other words, the Hongyun Company could develop real estate in all BLIC enterprises and was authorized to transform parts of the urban area in complete plots.

This economic entity, carrying the mission of activating state assets, began to operate by the rules of the market economy.

The first project was the Beijing Match Factory. It was located in Beijing's Chongwen District, occupying 47,000 square meters of land. It had a work force of 868, with 500 retired workers. Heavy burdens and high operating costs caused the enterprises to suffer high production costs and low profits. It had started to operate at a loss in the first half of 1993. In the process of transformation planned according to the new approach, the factory was first moved outside the No. 4 Beltway and a new match factory operating under the joint-stock system was set up in conjunction with Tongxian County. Because a new operational mechanism was used, the work force was streamlined to about 300 and, in the meantime, a large number of contract workers were recruited, taking advantage of inexpensive labor from suburban counties. In the middle of February 1994, the new factory went into trial operation and the estimated profit rate for the whole year will be over 10 percent. On the site of the old match factory, the construction of a

residential subdistrict, with a total floor space of over 120,000 square meters, began at the end of last year. The whole project will be completed in about two years. The total investment is 273 million yuan and income from sales will reach 344 million yuan.

The transformation of the match factory was a big success, as well as a big sensation. A lossmaker had disappeared and, in its place, a new-type enterprise and a large tract of high-value property had been born. That is why Fu Lin [0265 2651], the director of the old match factory, vividly described the metamorphosis of his enterprise as "experiencing a rewarding death." Society's comment on this example was: "Move one spot, enliven the whole area."

In less than a year since it started operating, the Hongyun Company has displayed extremely strong vitality:

- It has completed the investigation of 32 BLIC enterprises located within the bounds of the No. 3 Beltway. Their properties have been reappraised and the results show that they occupy a total of 1.008 million square meters of land. According to Beijing's urban development plan, this amount of land can be redeveloped into 3 million square meters of commercial and residential floor space worth about 18.3 billion yuan and generating an estimated profit of 4.5 billion yuan.
- Three projects, including the match factory project, have been started, with the total floor space under construction being 170,000 square meters. Returns had been quite handsome by the end of last year and shareholders are expected to receive satisfactory dividends.
- It has pre-injected 87 million yuan of project funds into such enterprises as a battery factory, a light bulb factory, a general winery, a glass company, and the No. 1 Foodstuffs Company. This move has not only helped relieve a shortage of working capital in these enterprises, but has also laid the foundation for the development of future projects.

The Hongyun Company's investments are extensive. Besides real estate development carried out in conjunction with the industrial transfers in its sector, it has also started equity participation in other fields. So far, the value of its equity investments in commercial circulation enterprises, the garment industry, real estate, and exchange markets has reached 20 million yuan. According to Li Xiaohong [7812 2556 1347], general manager of the Hongyun Company, the company's investment policy is: Invest in various fields, extend feelers in various directions, and establish many fulcra to distribute investment risks, adjust the orientation of operations whenever necessary, obtain market information, converge with domestic and international markets, and strive for stable returns.

There are similarities and differences between the Hongyun Company's behavior and that of ordinary

joint-stock companies. The similarities are that they operate in the same market environment, have decision-making powers in operations, and are developing their business according to the orientation of the market. Differences are that the Hongyun Company shoulders the heavy responsibility of activating state assets in a whole sector and in the meantime also has unshirkable social responsibility; therefore, it has secured government support and enjoys advantages in resources that ordinary companies do not have.

Because of this special role that the Hongyun Company plays, BLIC sees itself as a starter for managing state assets and, relying on the strength of the market, uses it to transform the old system bit by bit with the new system, activate the reorganization of stock assets according to market orientation with new development in a step-by-step way, and eventually reach the goal of activating all of its state assets. Notable results were generated within a few months. Last year, the total industrial output value and sales income of the corporation increased by 6.8 percent and 24.2 percent respectively over the previous year, its profits and taxes increased 61.7 percent and 16.3 percent respectively, and the number of lossmakers and losses within the budget fell by 37.5 percent and 52.5 percent respectively. Its rate of profit increase was the highest in Beijing's industrial sector and among the highest in the light industry sector nationwide.

Part Four

HK1205010094 Beijing RENMIN RIBAO in Chinese 15 Apr 94 p 2

["Marching Toward the Modern Enterprise System" column, by staff reporter Fei Weiwei (6316 0251 0251): "Calmly Untying the Tight Knot—Reports on Comprehensive Reforms Carried Out by the Beijing First Light Industrial Corporation (Fourth Installment)"—first paragraph is editor's note]

[Text] Editor's Note: Under the macroscopic environment of the still-unsound social insurance system, the issue of assigning jobs for surplus personnel generally has become the biggest obstacle to in-depth enterprise reform. The third installment of these reports—"Hongyun Company Builds the Bridge"—gave an account of the role it has played as a starter in the reform of the Beijing First Light Industrial Corporation. It was also this company that had offered the first expenses for the training of the corporation's surplus personnel, which has created a favorable "microclimate" for in-depth reform. This article will mainly brief readers on how the Beijing Match Plant, a breakthrough point of reform in the Beijing First Light Industrial Corporation, trained and diverted more than two-thirds of its staff and workers to work elsewhere.

Where lies the difficulty in revitalizing large and medium-sized state enterprises? The greatest difficulty lies in the inability to divert numerous surplus personnel

to work in other units because enterprises find it very difficult to absorb these personnel by themselves and society also finds it difficult to bear the burden, as the social insurance system is still unsound. That is why people called this a "tight knot."

The Beijing Match Plant, with a staff of 868 people, was a subsidiary of the Beijing First Light Industrial Corporation. It had only 60 people left when it reorganized and moved out of the urban district to continue its match production. The surplus personnel all were diverted to other units, but none of them lodged a complaint against the plant, appealed to the higher authorities for help, or created trouble. This great event—and in Beijing Municipality, at that—was handled very smoothly and without causing any disturbance.

How did they untie this "tight knot"?

Neither society nor enterprises were in a position to bear the burden of surplus personnel. Hence, the Beijing First Light Industrial Corporation created an independent intermediary organization to manage its work force—an organization that takes on the responsibility for untying the "tight knot" from beginning to end.

As a matter of fact, the Beijing First Light Industrial Corporation succeeded in discovering a starter—the Hongyun Company—for the development of state assets and comprehensive reform. Meanwhile, the issue of relocation and placement of labor resources also was resolved, and funds for establishing a compensatory unemployment insurance mechanism have been relatively sufficient. However, who will undertake the heavy responsibility of "diverting the staff and workers to work elsewhere"?

In fact, the Beijing First Light Industrial Corporation has studied the solution of the increasingly serious problem of redundant personnel over the past few years. There were nearly 80,000 staff and workers in the corporation. Even if the factor of industrial structure was not considered, the rate of surplus personnel still exceeded 30 percent. A few years ago, in order to invigorate the employment system, they optimized labor organization, which resulted in a reduction of 8,000 people from among the 80,000 staff and workers. For this reason, the corporation was at the forefront of the entire municipality in this respect. However, owing to the unsound insurance system, excessively scanty amount of unemployment compensation, and the inability of the untrained personnel to enter the market, most of the staff and workers returned to their original posts one after another, and a number of new contradictions were elicited accordingly.

"The diversion of staff and workers in state-owned enterprises should be resolved by way of a market mechanism, but should not wait until the perfect establishment of a labor market. Therefore, it calls for setting up an economic entity that will act as an intermediary for the development and placement of labor force in keeping with the market law." This is a consensus

reached by the Beijing First Light Industrial Corporation through assiduous exploration of the issue of diverting staff and workers to other jobs. Consequently, when the Hongyun Investment Company—an asset development company—was founded, expenses needed for the diversion of staff and workers were allotted from this company to set up an economic entity with independent assets: the Beijing Jingqing Labor Service Development Company. Its duties are as follows: 1) The management of staff and workers during the removal period to redevelop the assets of the Beijing First Light Industrial Corporation; 2) The training of staff and workers to enhance their quality; and 3) The transition from a centralized job placement system to a new employment mechanism suited to the market economic structure through the integration of labor force employment system with labor insurance system, so as to achieve the objective of appropriately assigning jobs for staff and workers in society.

This labor force management intermediary organization took overall responsibility for unemployment insurance, training for job transference, and job assignment of the asset development enterprises [zi chan kai fa qi ye 6327 3934 7030 4099 0120 2814], so that state-owned enterprises were able to perform the tasks of asset development "with light burdens." In this regard, we may say that it was the Beijing Jingqing Labor Service Development Company that untied the "tight knot."

The big pot has been broken, and everyone is longing for a new and fine bowl after being trained. People hope that those in work can have more pay for more work, that those who are out of work need not worry about their food and clothing, and that those who seek new jobs will also obtain benefits. They have something to wish for and have actually gained something. Thanks to these "two wheels," the diversion of staff and workers has progressed at a more rapid pace.

At the end of 1993 when the match plant, with a history of 70 years, was leveled to the ground amid the rumble of bulldozers, the staff and workers really could not calm their feelings. "I can do nothing but dip the heads of matches and package them, so I am incapable of finding a new job. What am I to live on in the future?"

Just a couple of months later, the once-agitated and disappointed hearts were overflowing with beautiful aspirations. Among the 868 staff and workers, some of the elderly ones retired ahead of time, others were transferred to work in a new factory, and it was arranged for the remaining 558 personnel to receive training for other posts. On the basis of full investigation and study, the Beijing Jingqing Labor Service Development Company has made training plans in line with the requirements of society and of management and service work for the small residential district built on the site of the original match plant. Here, the company started 14 training courses, including business accounting, computer science, enterprise business administration, commercial services, cooking, cosmetology, hair-dressing,

gardening, driving, automobile maintenance, tailoring, and so on. After these people were released from work to receive training for three to 12 months, those who passed examinations were issued certificates certifying their qualifications for reemployment, their grades, and their standard equivalent to technical secondary school graduates. In this way, they were qualified to participate in the talent competition on the market, thereby achieving the ultimate goal of two-way selection between enterprises and individuals through training so that the superior ones were able to find new jobs. For this reason, staff and workers were extremely enthusiastic about attending training courses. Some said: "Reform did not kick us out and leave us alone. The state has spent money on our training, paid our basic salaries, and prepared us for re-employment. That is why we are most willing to learn, despite fatigue and hardships, because it is to our own benefit to learn the skills, is it not?" Some types of work—like driving and hair-dressing—require higher and special skills, so the trainees must pay for part of the expenses. They paid readily, without saying a word.

Without doubt, the opportunity to find an occupation again, the pressure of obtaining a job based on one's own qualifications and not by assignment, and the pursuit of a new profession are powerful driving forces for staff and workers to keep their minds diligently on their studies. In addition, the Beijing Jingqing Labor Service Development Company also gave consideration to appropriate interest stimulation for the job-awaiting staff and workers, who live on their salaries, through the following measures: 1) The salaries of staff and workers who persist in production are higher than their original levels; 2) Salaries during training are lower than those received when they were at work; 3) The compensation given to personnel waiting for employment is larger than social compensation; 4) Sick and resigned personnel are given a lump-sum subsidy in an amount generally equivalent to one-third of their annual income; 5) Those who suspend work and pay while retaining their posts are granted a lump-sum subsidy, but should pay unified funds for old age and management fees for keeping files; and 6) Those who resign and will find jobs on their own are given subsidies equivalent to their salary income of two and a half years. Within two weeks of the announcement of these measures, four people asked for transfers, three resigned, and most of the students in the driver training course said they would try their best to find jobs by themselves after the training.

Overstaffing is not only a tough problem for asset development enterprises, but also one that state-owned enterprises wish very much to resolve. In-depth exploration is being carried out at a new level.

Although students in various training courses had not obtained their graduation certificates, recruitment units in society began to call on them, one after another. The restaurant service training class would finish its course by the end of April, but a unit told the students that it would come to recruit more than half of them at the end

of March. The gardening class was in similar circumstances, as a unit readily announced the recruitment of half the students....

However, personalities responsible for the Beijing Jingqing Labor Service Development Company did not dare to relax their efforts in the least. The aim of this company is to take care of the work to divert nearly 20,000 staff and workers in 32 enterprises engaged in asset development or relocating to other places. Liang Jingao, general manager of the company, proposed an even higher goal: The Beijing Jingqing Labor Service Development Company ultimately should undertake the entire task of diverting all surplus personnel in the state-owned enterprises under the Beijing First Light Industrial Corporation, so that all these enterprises can shake off their burdens and "march with light packs."

In light of the large numbers of surplus personnel prominently existing on the Chinese sides [xiao mu ti 1420 3018 7555] of joint ventures at present, they have decided to start with this, by using for reference the practice of diverting personnel in enterprises that are relocating. According to this practice, a joint venture pays an amount in the form of compensation to a labor service company to discharge the expenses of training its surplus personnel so that they are capable of finding jobs again in the labor market. Recently, the Beijing Jingqing Labor Service Development Company began drawing up plans to train some 180 off-the-post staff and workers of a joint venture: The Convenient Foodstuff Factory.

Part Five

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["Marching Toward the Modern Enterprise System" column by staff reporters Mo Xinyuan (5459 2450 0337), Wu Changsheng (0702 7022 3932), and Zhu Jianhong (2612 0494 4767): "What Has Beijing First Light Industrial Corporation Told Us?—Reports on Comprehensive Reforms Carried Out by the Beijing First Light Industrial Corporation (fifth and last installment)"—passages published in boldface contained in a box]

[Text] The Beijing First Light Industrial Corporation experiences in enlivening state assets through carrying out comprehensive reforms have attracted the universal attention of society. A leader of a southern city sighed with regret because he had not known about the corporation earlier. At a recent meeting to exchange experience in points selected for experiments on comprehensive reforms in the Beijing First Light Industrial Corporation, convened by the State Commission for Restructuring Economy, a representative expressed his feelings as follows: "A small match (meaning the case of the relocation of a match factory) has lit up the whole space around."

We heartily rejoice at such strong repercussions of the reforms in the Beijing First Light Industrial Corporation

because, in the course of making reports about the corporation, we indeed had the feeling of a soft breeze blowing toward us. However, because the enthusiasm to learn from the Beijing First Light Industrial Corporation is intensifying, we are worried that what is learned may be different from what is expected and that things which should not be stressed, may be stressed.

Our desire and responsibility is to help our readers correctly understand and grasp this typical example.

The focus of the reforms carried out by the Beijing First Light Industrial Corporation is not to enliven the enterprises but to enliven the assets. The corporation has pushed reforms a big step forward and such reforms mark the raising of the curtain of a new stage in the reforms of enterprises.

"If I were the boss, what I should consider at present would be how to enliven all the assets instead of how to save each individual enterprise," said Zhou Dali, deputy director of the State Commission for Restructuring Economy Distribution Department, at an informal discussion meeting. "How should we change the situation of three one-thirds in state enterprises? If we concentrate our efforts on saving each individual enterprise, all enterprises will be half dead. Assets must be current assets. This is an essential demand of the market economy. Some enterprises must survive while others must perish and the disposal of resources should be optimized in the course of readjusting the structure and layout. Only by enlivening state assets will it be possible to enliven the overall situation."

The shift of the focus from enlivening enterprises to enlivening assets is a new change and a new demand of reform of the economic structure. It is also something that makes the Beijing First Light Industrial Corporation so prominent. Of course, this does not mean enlivening enterprises is unimportant. Enlivening enterprises is the foundation. How can we enliven assets without enlivening enterprises? However, enlivening assets is the goal. To attain this goal, some enterprises which should survive should be allowed to live on happily, while other enterprises which should perish should be allowed to die a "natural and unrestrained death [xiao sa si yi hui 3469 3155 2984 0001 2585]."

"Enlivening assets is different from enlivening enterprises," said Li Yuan, director of the State Commission of Restructuring Economy Distribution Department. "First of all, in enlivening enterprises, impetus is often required only once. Such impetus can be a policy, funds, or technology and if it can last three to five years, it will be good enough. However, the enlivening of assets needs a long-term effective mechanism and the formation of such a mechanism is based on the construction of systems. Second, the enlivening of assets needs comprehensive reforms. In the reforms carried out by the Beijing First Light Industrial Corporation for example, the solutions to the two major difficult problems regarding the sources of funds and the placement of

surplus personnel must involve the reforms of various systems, such as the land use system, the personnel and labor system, the system for training staff members and workers, and the social security system. Third, since the reforms are comprehensive, a new role is needed. The person who plays this role should undertake responsibility for state assets and should be able to manage state assets with a free hand, in accordance with the laws of the market economy, in a bid to preserve their value. However, such a new role should be established through reforming the enterprise property rights system."

Bai Jinrong, deputy director of the Beijing Municipal Committee for Restructuring Economy said: "The existing enterprise systems cannot meet the demands of the market economy on enterprises—to become competitive main bodies which raise funds on their own, carry out construction and operation on their own, and assume sole responsibility for their profits and losses. Nor can they meet the needs of large-scale socialized production—assets to float and disposal of resources to be optimized. In carrying out reforms of enterprises in the past, we always focused our attention on the relationships of production. However, the universal significance of the reforms carried out by the Beijing First Light Industrial Corporation lies in the new path it has explored for enlivening the state economy—the organic integration, through comprehensive reforms, of the readjustment of the production setup, the enterprise organizational setup, the layout of industries, the transformation of the old urban areas, and the development of the land resources with the reform of the enterprise property rights system, with the goal of establishing a modern enterprise system to realize the unity of the readjustment of the production relationships with the development of the productive forces. That is, the unity of reform and development, as we usually put it."

The Beijing First Light Industrial Corporation shifted from the management of production and enterprises to the operation and management of state assets. Ever since then, the Beijing First Light Industrial Corporation has lost its original meaning and like "Yiqing" and "Fazhan," has become a code name for large enterprise groups with assets of several billion yuan.

If you agree with the above views, do you accept the following judgment? The Third Plenary Session of the 14th CPC Committee put forward the establishment of a modern enterprise system and this enabled the reforms of enterprises in our country to enter a new stage. With the intensive work carried out for some time, the curtain of this new stage has been raised and the opera has started.

The Beijing First Light Industrial Corporation has been able to carry out operational activities to enliven state assets thanks to the reform of the enterprise property rights system. Through authorized management of state assets, the Beijing First Light Industrial Corporation has acquired the status of the representative of the proprietor of assets and, therefore, can handle affairs which a single

production enterprise could not handle and which government departments should not handle.

Although there are different views on the comprehensive reforms of the Beijing First Light Industrial Corporation, we hold that the sequence of ideas is very clear: The point of integration of deepening reforms in enterprises with the development of the productive forces is to enliven assets; in the market economy structure, enterprise actions should be dominant ones in enlivening assets; and we must reform the existing enterprise system, otherwise the property rights relationship will not be clear and enterprises will find it difficult to fulfill this task.

Cui Zhian, chairman of the Beijing First Light Industrial Corporation board of directors, recalled the formulation of the train of thought on reforms, saying: "Our new exploration of reform began in 1991 and the train of thought was really formulated after Comrade Xiaoping made his remarks in the south in 1992. The remarks about being beneficial to promoting the productive forces, beneficial to reinforcing the comprehensive national strength of our socialist country, and beneficial to enhancing the living standards of the people have enlightened us a great deal and have become the ideological weapon for us to deepen reform. We conducted investigations and made analyses of our own position and discovered that we were in a very difficult situation. The Beijing First Light Industrial Corporation mainly produced daily necessities and any other enterprise could also do that. Besides, preferential policies were implemented for joint ventures, township and town enterprises, and open areas, but we were under the impact of contraband. We had no strong points at all. What was the way out? We summed up the experience of reforms carried out in some of our enterprises and our train of thought became clearer. In the past, the consumption rate of the No. 3 Glass Plant was great and its products were of lower grade. After it was moved to Daxing County and became a joint venture, it introduced advanced technology and produced high-grade glass products. The price for each tonne of glass products rose from 1,200 yuan to 8,000 yuan. Then came the lighting device plant which had been a loss-making plant for many years. After it used the building of a branch plant to do business, it was able to give jobs to over 100 surplus personnel and to bring in an additional income of 3 million yuan. It was most profitable to develop tertiary industry in prosperous areas and everybody was able to see that. The idea of relocating secondary industry enterprises and developing tertiary industry enterprises, and of moving production factors out of the Fourth Ring Road to develop secondary industry at a high level was put forward on this basis.

"At present, state enterprises commonly face three difficulties: Funds are in short supply, personnel are excessive, and assets cannot be enlivened," said Cui Zhian. "Viewed from the reality of the Beijing First Light Industrial Corporation, the last of the three difficulties was the crux and once this knot was untied, the other

difficulties could be overcome. Once the assets were enlivened, there would be money and more jobs could be provided for the surplus personnel. How could this knot be untied? We must have the right to operate assets. To whom should the rights to operate assets be given? Should they be given to a certain production enterprise? Given the difficult situation the Beijing First Light Industrial Corporation was in, it would not make things any better no matter which production enterprise was given the right to operate assets. Should such rights be given to government departments? But government departments cannot take part in operational activities. What should we do then? The only thing for us to do was to change ourselves and shoulder the task."

"Unclear property rights relationships are the root cause of the poor operation of state enterprises," said Li Yuan. "To solve this problem, the idea of separating the two rights, that is, separating ownership rights from the rights of operation, was once put forward in carrying out reforms in the past. This played a great role in ensuring the right to make decisions on the operation of enterprises. However, since the state was the proprietor and the enterprises were operators, it was still difficult to separate the government from enterprises. The crux of the problem was to find an appropriate position for the proprietor in enterprises. Through authorized rights to operate state assets, the Beijing First Light Industrial Corporation acquired the status as the representative of the proprietor. This shows that separating government from assets is an important condition for separating government from enterprises."

To enliven assets, we must establish a property rights main body. The ultimate ownership of state assets belongs to the state and enterprises only have legal person property rights. Who then should exercise ownership of assets on behalf of the state and undertake the responsibility of preserving and increasing the value of such assets? The Beijing First Light Industrial Corporation has provided us with a train of thought.

The reforms by the Beijing First Light Industrial Corporation have both universal and special significance. The reforms by the corporation have been carried out on the basis of its own reality. In learning from the Beijing First Light Industrial Corporation, we should also proceed from our respective realities.

There are two direct reasons for the success in the reforms of the Beijing First Light Industrial Corporation: The right to operate state assets and the right to develop land resources. However, these two cannot be equated with the reform of the property rights system and the construction of the modern enterprise system.

The Beijing First Light Industrial Corporation has found its own position in reform. It has changed from an organization for the management of a trade into a company of an enterprise nature for the operation of

state assets. "Can we also do the same?" This is perhaps the most directly associated thought in some administrative departments.

Speaking about this question, Li Yuan said, "Where this new role can be played should be based on the characteristics of the respective specific situations and productive forces. In a big city like Beijing, for example, if such a role is played at a level higher than the original specialized administrative department, the range of administration will be too wide. In a small city, it is perhaps more appropriate for one or two companies to play this role. Another idea is for the role to be played by a single production enterprise but this has to be determined by the scale and capacity of that enterprise. In the Beijing light industry system, if the role is played by a certain production enterprise, that enterprise can be enlivened. However, the role of enlivening state assets of the entire system will be greatly reduced."

"What is more important," stressed Li Yuan, "is to select the player of this 'new role.' We must take into consideration its quality and ability, including its sense of reform, its comprehensive ability, and its operational capacity. Before it was authorized to operate state assets, the leadership of the Beijing First Light Industrial Corporation had already made numerous attempts at reform. Under difficult conditions, it constantly optimized the disposal of the production factors and achieved initial results and valuable experience. Therefore, if we want to follow its example we should act in the same way and learn from them properly."

Whenever comrades of the Beijing First Light Industrial Corporation talk about the reforms they carried out, they never forget the support of the Beijing Municipal CPC Committee and Municipal Government and the guidance from the State Commission for Restructuring Economy. In fact, the reforms in the Beijing First Light Industrial Corporation have been carried out ahead of time. It is precisely because of this that some practices are not completely in keeping with certain existing rules, regulations, and policies. The Beijing CPC Municipal CPC Committee and Municipal Government, from the angle of carrying out experiments boldly, have given special treatment to the Beijing First Light Industrial Corporation. The right to comprehensively develop real estate within the system, for example, has been granted specially.

According to a comrade from the Beijing Municipal Committee for Restructuring Economy, land is a state asset. The use of land has to be compensated and has a time limit. The responsibility for land management is undertaken by special government departments and specific work is carried out by local governments. Taxes and fees collected are used for urban construction. The Beijing First Light Industrial Corporation has changed the purpose in using land. According to regulations, the land should be taken back, new applications should be submitted for examination and approval, and taxes and fees concerned should be paid. In this respect, there is no

exception for the Beijing First Light Industrial Corporation. However, the municipal government has adopted some relatively lax policies and flexible practices in the relocation of enterprises. For example, the amount of money to be handed over to the state for the sale of land can be handed over by installments and part of the money can be returned to the enterprises as reinvestment by the state. In redeveloping the land originally occupied by the Beijing Match Plant, the land was converted into 47 million state shares in the Hongyun Company. At present, the value of this part of the state assets has increased by 200 percent. In this way, the reforms of the Beijing First Light Industrial Corporation acquired the necessary means and funds for the start. Therefore, in this sense, it can be said that the attempt to reform the system of using land has benefited the Beijing First Light Industrial Corporation and the credit should go to the municipal government. This is precisely a concrete action of "supporting reform with reform" put forward by the Beijing Municipality.

Li Yuan holds that the reform of the land use system centering round the Beijing First Light Industrial Corporation carried out by the Beijing Municipality can meet the needs of the market economy and has not changed the nature whereby land belongs to the state. Compared with various practices of using land to attract foreign capital in some localities and giving preferential treatment to foreign businessmen and allowing them to have more profits, the method adopted by the Beijing Municipality is more normal. The merit of this practice is that it has demonstrated the value of land assets and has prevented the loss of land assets. However, the land use system is an important state system and we should safeguard its solemnity and authority. Reforms must be carried out in an orderly way, step by step, and under the guidance of the government departments concerned.

We should not just focus our attention on land in optimizing the disposal of resources but should also pay attention to management, technology, equipment, qualified personnel, and the ways of combining various production factors. In Beijing, because differential land rent exists, land resources are very important. This may not be so in other localities. The reforms of the Beijing First Light Industrial Corporation have been carried out on the basis of its reality. In learning from the corporation, we should also proceed from our respective realities.

Journal Views Rural Economic Development

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[Article by the Ministry of Agriculture Rural Economic Research Center edited by Lin Li (2651 4539): "Problems and Strategic Changes in China's Rural Economic Development"]

[Text]I. The Main Current Problems in Rural Economic Development

1.01 Since the late 1980's, the deep-seated contradictions and problems which had long existed in China's rural economic development, gradually emerged. These contradictions and problems are mainly reflected in the sluggish growth of peasants' income in recent years. Since the beginning of 1992, given a new period of speedy growth in the national economy and an unprecedented thriving market economy, the sluggish growth of peasants' income has not changed. On the contrary, this has made the various new circumstances and new problems which are unfavorable to agriculture and peasants salient and once again is drawing people's great attention. These problems include: The continuous deterioration of trading conditions for agriculture, the issue of IOU's for the purchase of farm products, the outflow of agricultural funds, the holding up of farmlands by development zones, and the added burden on peasants. In the meantime, given the further removal of price controls on farm products and the conditions of a market economy, the questions of whether or not there is a need to protect agriculture and how to protect it have become new hot topics in policy research. All these problems, which have occurred as China changes to a market economic system, seem to imply that the development of China's agriculture and rural economy has entered a crucial period of change.

The Importance of Achieving Growth in Peasant Incomes

1.02 Compared with that at the previous stage, the growth of the rural economy during the 1989-1992 period had some totally different characteristics, namely that the growth in peasant incomes basically stagnated despite the fact that the supply of farm products picked up. Between 1989 and 1991, excluding the price factor, the per capita net income of peasants across the country only grew by 0.7 percent. Together with the 5.9 percent in rehabilitation growth in 1992, the average growth rate during the four years was only 1.88 percent. During the same period, calculated at constant prices, the total agricultural output value had an annual average increase of 5.1 percent and grain saw an increase of 2.9 percent; other major farm products, except cotton whose production decreased in 1992 as a result of insect disasters and which only had an average annual growth of 2.2 percent, such as oil-bearing crops, sugar-bearing crops, meats, fruits, vegetables, and aquatic products had increases ranging from 6 to 10 percent. The increased output of farm products unaccompanied by a growth in peasant incomes, by little growth, or even by negative growth in certain years, has been seldom seen since reform and since the PRC was founded.

1.03 Another phenomenon which attracts the same attention as the excessively slow growth in peasant incomes is the continuously widening income gaps between the cities and the countryside and between different regions. For eight years running since 1985, the income of urban residents grew much quicker than that of peasants. Between 1989 and 1992, the annual growth calculated by actual incomes showed that cities were 5 percentage points higher than the countryside. This has

once again widened the income gap between cities and the countryside which had been narrowing for some time since reform. In 1978, the ratio between peasants' per capita net income and urban residents' per capita living expenditure income was 1:2.37. In 1984, it narrowed to 1:1.71, and in 1992, it widened again to 1:2.33. The gap has returned to the pre-reform level.

1.04 The income gap between peasants in different regions has also increased very obviously. In 1992, the ratio between peasants in the west, central, and eastern regions was 100:115:166 and the highest-income province (Shanghai) had income 4.49 times higher than the lowest-income province (Gansu). In 1983, the figures were 100:126:144 and 2.69 times respectively. During the period of slow growth in peasant incomes between 1989 and 1992, the annual growth in peasant incomes in the eastern region was 2.29 percent and that in central and the western regions 1.44 and 1.27 percent respectively. This shows that the income gap between peasants in different regions still tends to widen continuously and that the growth in peasant incomes in many regions has stagnated or even decreased in recent years.

1.05 The slow growth in peasant incomes not only directly affects the upgrading of peasants' quality of life and agricultural reinvestment but also has a negative influence on the growth of the entire national economy. In the three years between 1989 and 1991, the actual per capita living expenditure of peasants across the country only increased by 0.07 yuan each year. We can see from this that in many regions, peasants' living standards virtually have not improved and the so-called added burden on peasants is related to this. During the same period, peasants' per capita expenditure on the purchase of productive fixed assets (excluding the price factor) decreased by 22.2, 35.4, and 18.2 percent from 1988. Peasants' expenditure on purchasing chemical fertilizer, pesticide, and sheets of plastic film in recent years have also decreased and this will have an adverse and sluggish influence on agricultural production.

1.06 It is also necessary to point out that peasant incomes are becoming an increasingly important variable in the flowing course of the national economy. As the degree of commercialization and monetization of the rural economy is continuing to rise, the proportion of money income in peasant incomes has risen from 40 percent in the pre-reform period to nearly 70 percent at the present time. This means that an increase or decrease of one percentage point in peasant incomes has a much greater influence on the demand expansion of the national economy than in the past. Due to the sluggish growth in peasant incomes, in 1992, the proportion of rural retail sales volume in the total volume of retail sales decreased by 3.5 percentage points from 1984 and by 3.1 percentage points from 1988. In the four years, peasants refrained from purchasing 82 billion yuan's worth of commodities and this is one of the main reasons why the home market has been sluggish during the past few years.

1.07 For a long time, due to the absolute short supply of farm products, the guiding principle in formulating rural policy was always to give priority to ensuring the supply goal of farm products. However, following the radical changes in the supply-demand pattern of farm products in the mid-1980's, the growth of agricultural production no longer simply corresponded to the growth in peasant incomes and the importance in peasant incomes as a motivation for growth had greatly increased. Furthermore, at the microscopic level, since reform, peasants can expand supply only on the premise of increasing income and, if the peasant incomes are as bad as expected, the government will find it very difficult to achieve the supply goal. Therefore, like maintaining the growth of a balanced supply-demand structure for farm products, maintaining the sustained growth in peasant incomes should become the basic goal for the formulation of China's agricultural and rural policies in the 1990's.

The Main Factors Restricting Growth in Peasant Incomes

1.08 It is generally held that two factors have resulted in the sluggish growth in peasant incomes since 1989. First, the trading conditions for agriculture have worsened. Compared with 1988, the price index of farm products rose by 10.87 percent in 1992 (prices on the grain market have fallen since 1989, reaching their nadir in October 1992), whereas the price index of agricultural capital goods rose by 33.59 percent. Second, during the period of economic rationalization, the speedy growth of township and town enterprises was curbed. Between 1989 and 1991, peasant incomes from nonagricultural sources fell by 25 percentage points from the previous years, the percentage basically remaining at the 1988 level.

1.09 However, a deeper analysis shows that in addition to the unfavorable factors, which are caused by the abovementioned short-term policies, there are deep-seated reasons for the sluggish growth in peasant incomes in recent years. In order to demonstrate this, we can compare the changes in the main sources of peasant income growth at different stages since 1978. The speediest growth in peasant incomes was in the 1978-1984 period when the actual average per capita income growth was 15.1 percent annually. The same period also saw farm products having their speediest growth, an average annual growth of 6.5 percent. At this stage, the growth in peasant incomes mainly benefited from the supernormal growth in farm products in the early years of reform and its characteristics were that agricultural production increased as did peasant incomes. At the second stage, namely between 1985 and 1988, despite the fact that the growth rate of agriculture lowered to 4.1 percent, peasants' per capita actual income retained an annual growth rate of 5 percent. The main reason for this was that township and town enterprises began to emerge during this period and income from nonagricultural sectors supported the continuous growth in peasant incomes. The characteristics of this stage can be summed up as the slowing down of agricultural growth and the continuous

growth in peasant incomes. However, during the 1989-1992 period, the growth rate of agriculture rose to 5.1 percent but the actual per capita income of peasants only grew by 2 percent, representing an increase in agricultural production unaccompanied by an increase in peasant incomes. This "increase in output unaccompanied by an increase in income" in fact means that the major motivating factors which had supported the sustained growth in peasant incomes in the first two stages, namely the growth patterns in agriculture and in township and town enterprises, have already undergone some phased change. In fact, as the analysis given below shows, the real challenges we are faced with are that the previous growth pattern of the rural economy has difficulty in supporting the sustained growth in peasant incomes and that, if radical readjustment measures are lacking, then the sluggish growth in peasant incomes in recent years will probably become a long-term tendency. Below, we are going to analyze the major phased changes facing rural economic development.

1.10 First, there have been profound changes in the supply pattern of farm products and in the form of agricultural growth. Prior to reform, China had been short of farm product supplies for a long time. The speedy growth of agriculture motivated by rural reform reversed this situation in just a few years. In approximately the mid-1980's, China's farm-product supply pattern began to radically change. This was first reflected in the changes in the consumption level and consumption structure of urban and rural residents. Following the improvement in the supply of foodstuffs, in 1983, the per capita daily calorie intake from food by peasants in China exceeded 2,400 kilocalories for the first time. In the mid-1980's, the daily calorie intake from food by urban and rural residents had already reached 2,900 kilocalories. After urban and rural residents steadily passed the point of simply having enough food and clothing, Engel's Coefficient began to steadily lower, the per capita direct consumption of grain by urban and rural residents began to fall in 1986 in absolute terms, and food consumption began to change from an increase in quantity to the upgrading of the quality structure. Second, following the change of the consumption structure, agricultural growth began to feel the restriction of demand and the income elasticity of major farm products began to decrease.

According to estimates by relevant experts, comparing the 1985-1992 period and the 1979-1984 period, the income elasticity of grain fell from 0.63 to -0.15, that of oil-bearing crops fell from 2.94 to 0.49, that of pork from 1.34 to 0.53, that of poultry from 3.06 to 0.75, that of sugar-bearing crops from 0.94 to 0.09, and only the income elasticity of aquatic products rose from 0.52 to 0.86, that of eggs basically remained the same, and that of cloth fell from 0.76 to zero. Since the mid-1980's, it has been difficult to sell farm products. Although China's per capita grain output in the 1990-1991 period was basically the same as in the 1983-1984 period, prices on the grain market fell considerably and grain did not sell

easily, a clear sign that agricultural growth was restricted by demand. The change from the restriction of supply to the restriction of demand or, rather, from mainly aggregate contradictions to structural contradictions is a historical change in China's farm products supply-demand structure. This change began in the mid-1980's and will play a role for a long time in future agricultural growth. Precisely because of the motivation of the change in this pattern, China's agricultural growth pattern will change from the previous pure quantity-type growth to a type of growth stressing both quantity and quality.

1.11 The restriction of demand is not all bad. Rather, it makes it possible to use market mechanisms to effectively allocate resources. However, what we have to say here is that the sluggish growth in peasant incomes in recent years, and the prospects for peasant income growth in the future, are directly bound up with the changes in this pattern. First, given the short supply of farm products in the early years of reform, the "sponge effect," namely where an increase in supply is immediately swallowed by demand, no longer exists. This means that the growth in peasant incomes no longer simply corresponds to the growth in agricultural output. Second, given the existence of the restrictions of demand, if the supply structure of farm products does not adjust to the changes in their demand structure, it also means that an increase in output is not accompanied by an increase in income. In fact, the readjustment of China's agricultural production structure already lags behind the changes in the supply-demand pattern. This is reflected by the very salient structural contradictions in the supply-demand structure in recent years. Third, once China officially rejoins GATT as a member, the pressure from external competition will increase and this also means that it will be much more difficult to support peasant incomes with agricultural growth. Lastly, if the course of agricultural transformation is not accompanied by technological progress, the effect of decreasing marginal returns from agricultural investment will occur conspicuously and peasants' efforts to increase income will be partially invalidated by the accelerated increase in agricultural costs.

1.12 Therefore, we have come to the viewpoint that the characteristics of great phased changes have already begun to appear in China's agricultural development and this is a token that agricultural development is stepping into a new period. We can conclude from this that if we are unable to effectively promote structural reform, it is already impossible for the current structural framework of agriculture to sustain a continuous fast growth rate in peasant incomes, although peasants derive 60 to 70 percent of their income from agriculture at the present time.

1.13 We are now going to analyze the profound changes facing the development of township and town enterprises. As for the question of increasing peasant incomes, people set more hope on township and town enterprises. As the great invention by Chinese peasants in the 1980's, township and town enterprises really play a vital role in

opening employment channels for peasants and increasing their income. The development of township and town enterprises in recent years has been not slow. In 1992, their total output value reached 1,700 billion yuan, of which 1,300 billion was in industrial output value and represented more than one-third of China's total industrial output value. However, since the late 1980's, the tendency has obviously appeared in the development of township and town enterprises that their capital is becoming increasingly intensive and their ability to employ labor has weakened. The output value of township and town enterprises in 1992 doubled that of 1988, while the number of their employees only increased by 10.9 percent, showing a decrease in employment elasticity from 0.35 to 0.13. Since 1988, the fixed assets of collective enterprises at the township and village levels have increased by an annual average of 18.4 percent, while the number of employees hired per 10,000 yuan of assets decreased from 3.1 in 1988 to 1.8 in 1991. Between 1984 and 1988, township and town enterprises employed 12.6 million people from the agricultural sector, while only an annual average of 2.6 million were employed during the 1989-1992 period, representing a fraction of that during the former period.

1.14 There will be an annual increase in surplus manpower by over 10 million people in China's rural areas in the future. The question of how to dissolve this huge unemployment pressure and fully utilize and develop these rich labor resources is the most challenging one for rural development in the 1990's. The problem now is that the manpower not absorbed by agriculture cannot be absorbed by township and town enterprises, which we have always considered the best Chinese-style way to resolve unemployment in rural areas! Does this indicate that there is a need to reassess our previous understanding all over again?

1.15 In fact, some recent analyses have already pointed out the inherent weaknesses in the structure and composition of township and town enterprises. The following are the two major weaknesses: First, township and town enterprises are extremely scattered and are not in step with urbanization, so they are unable to effectively nurture the development of tertiary industry and this in turn leads to the unbalanced development of secondary and tertiary industries among township and town enterprises. This is an important point which restricts township and town enterprises from expanding employment. Second, the community-based nature of township and town enterprises restricts the flow of production elements and, coupled with other factors, leads to the distortion of the prices of production elements, thus causing the township and town enterprises in some developed regions to "replace labor with capital" too soon.

1.16 We have come to the view that the contradictions covered up in the early years of the development of China's township and town enterprises are being gradually exposed. This means that, like agriculture, township and town enterprises are also faced with major phased

changes in their further development. From this, we have come to the conclusion that if we fail to effectively readjust the strategy for township and town enterprises, the present pattern can no longer effectively resolve the unemployment problem in rural areas nor can it continue to support the comparatively quick growth in peasant incomes.

Price Protection and Structural Readjustment

1.17 According to estimates by the quarters concerned, in order for peasants to lead a comparatively comfortable life by the end of this century, their per capita net income should reach 1,200 yuan (at 1990 prices) which requires that peasant incomes increase at an annual rate of 6.3 percent from 1993 onward. Obviously, under the restrictive conditions mentioned previously, it is very difficult to achieve this goal. In other words, in order to promote the continuous growth in peasant incomes for a period of time to come, it is necessary to make a policy choice about opening up new sources of income. In discussions in recent years, various different views have gradually concentrated on a choice between two policies: The first is that we should adopt a price protection policy for major farm products and the second is that we should formulate and adopt a new policy which promotes structural readjustment.

1.18 The price protection policy we are talking about here is whereby, after controls on grain prices have been lifted, the state should fix minimum protective prices for grain purchases to stabilize grain production and simultaneously increase peasant incomes. Most people agree with this policy proposal but some disagree and have raised several questions worthy of further discussion. The first is the question of whether or not we are able to grant subsidies. They maintain that financial subsidies are needed to form a price higher than the market price; that if the protective price is inappropriate, its protective role does not work; and that if the protective price is too high, the financial burden will be very heavy. In adopting price protection policies, North America, the EC, Japan, and Taiwan each have only a small agricultural population which is approximately 20 percent of the total population. That is to say, the majority subsidizes the minority. China's present agricultural population accounts for 70 percent or more of the total and, in these circumstances, it is very difficult to pursue a price protection policy. The second question is that of efficiency. The price protection policy inevitably causes price distortions and leads to the loss of efficiency in resources allocation. In this respect, developed countries have also drawn a lesson. While creating a huge burden, subsidies also lead to a great surplus of farm products and an excess waste of resources. Moreover, given the serious unemployment situation in China's rural areas, the interests of the price protection policy will be shared by the large rural population and will in fact increase the cost of shifting rural manpower from the agricultural sector and will, in turn, cost us the opportunity for structural readjustment. In addition, there is the problem that agricultural costs chase prices, namely the

"return of price parity." In short, before adopting the price protection policy, we need to consider various factors and weigh all advantages and disadvantages. Our basic view is that it is, after all, necessary to pursue the protective price system at the present stage. We should at least ensure that peasants do not make a loss from growing grain crops. This is also out of consideration for the country's grain security. However, we must know that this policy is very limited in resolving the problem of peasant incomes and that it is very unrealistic if we set all our hopes of increasing peasant incomes on protective prices in the future.

1.19 In our opinion, it is a more practical and positive idea to seek and open up new sources for increasing peasant incomes in the future through adopting a new policy or measure which promotes structural readjustment and through promoting the further reform of the rural industrial structure. The structural readjustment we are talking about here not only includes the readjustment of the agricultural structure and the internal industrial structure of rural areas but also the readjustment of economic structure between cities and the countryside. It not only means readjusting the industrial structure but, more fundamentally, changing the current employment structure through the readjustment of the industrial structure so that the free flow, rational combination, and optimum allocation of all production elements and resources within a greater scope can be achieved. In light of the inherent demand of rural economic development and of past experiences, the main points of the new policy which can promote structural readjustment are: We must not limit it to rural areas but should carry it out in both cities and the countryside. We should combine the internal structural readjustment of rural areas with the drive for urbanization and pursue a new round of structural reforms with urbanization as the central issue. We must introduce more extensively market mechanisms and let price mechanisms play a better role in regulating the allocation of resources. We must pay more attention to the promotion of advanced and practical farming technology and support the efficiency of structural readjustment with technology. We must insist on making innovations in the organizational system to seek and establish the new organizational form and order of the future mobile society. In short, in our opinion, structural readjustment is a major force promoting economic development and China's rural development which takes structural reforms as the central issue has totally different characteristics from the past and richer contents.

II. Create a Macropolicy Environment Which Suits Structural Readjustment

2.01 The rural industrial structure in the 1980's was basically readjusted in the rural areas themselves and under the condition of not changing the original urban and rural economic patterns. Whether the readjustment of the crop-farming and agricultural structures in the early years, or the rise of township and town enterprises which came afterward, the basic focus of the policy is to

resolve the problems in the rural areas themselves. Such being the case, the readjustment of the industrial structure in rural areas is still often restricted by the macropolicy environment. As we said earlier, the question remains: Is it okay to limit structural readjustment to rural areas themselves? This involves one fundamental point, namely, whether or not there is the need to readjust the traditional economic development strategy and its policy environment and whether or not we have come to the time for the readjustment and how to readjust it. In fact, discussions and arguments by the relevant quarters over this question have continued since rural reform but it was not until recently that this question was put on the agenda for policymaking.

The Necessity To Readjust the Traditional Development Strategy

2.02 For a long time, the strategy for developing the national economy has been that the development of heavy industry takes precedence over others. This form of traditional development strategy is of historical necessity. In the early years of the PRC, and under the prevailing international environment, the most important task was to build as quickly as possible a complete industrial system with heavy industry as the pillar. As the task was put forward, it was first necessary to solve the problem of primitive accumulation for industrialization. Obviously, under the prevailing historical conditions, in order to complete the task of primitive accumulation, it was impossible to rely on China's own weak light industry, still less on international aid, but on agriculture and rural areas. Therefore, in the process of national industrialization which followed, we gradually formed a whole set of macropolicy environment and economic management systems suited to this strategy, which gave priority to the development of heavy industry and special accumulative mechanisms.

2.03 For various historical reasons, in order to extract accumulations from agriculture and the rural areas and convert them into capital for industrialization, our specific practice was to adopt the system of state monopoly for the purchasing and marketing of farm products. Under this system, we lowered the cost of industrial raw materials and the wage costs through the monopoly purchase of farm products at low prices and acquired an excess profit through raising the prices of industrial manufactured goods. This excess profit kept changing into funds for industrialization through financial means. According to expert analyses and calculations, from 1952 to 1978, owing to the exchange of industrial and agricultural products at unequal prices, the funds flowing from agriculture to industry amounted to 391.7 billion yuan and the funds diverted from revenue income sources to industry totaled 93.5 billion yuan giving an overall value of 485.2 billion yuan. After deducting the financial returns to agriculture, the net flow of funds from agriculture came to 312 billion yuan, equivalent to 73.2 percent of the original value of the nonagricultural fixed assets of state-owned enterprises during the same period.

2.04 In order to guarantee the realization of this special accumulative mechanism, a policy environment and structural conditions which matched it were needed. This was mainly reflected in the following three aspects. The first was the artificially distorted prices of products and production elements. Given an extreme shortage of capital, in order to quickly develop capital-intensive industries, the state adopted the policy of: Suppressing the prices of farm products and raw materials, wages, and the prices of daily necessities and labor services; maintaining low interest rates and exchange rates; and raising the prices of industrial manufactured goods, thus maximizing the industrial profit rate and accumulative capability. Second, given the price distortions, it was necessary to allocate resources through a highly centralized planned system and administrative means and to strictly limit the free exchange of products and the free flow of production elements. In order to suppress the prices of farm products in rural areas, market prices and the market were eliminated altogether. In order to keep the opportunity cost of agricultural labor low and to control the scope and effectiveness of low-price welfare distribution in cities, China adopted a strict identity and household management system and firmly bound peasants to their land through a strict city-countryside segregation system, excluding them from the process of industrialization and urbanization. The third was to establish a microfoundation which suited the planned management structure. In rural areas, China instituted a people's commune-based collective economic system, integrated government administration with commune management, and deprived peasants of their decision-making power to ensure that agricultural production and management were placed under the government's direct intervention. In the cities, China built an economy with state ownership and state management as the mainstay, in which the government exercised planned management of enterprises and enterprises were merely production and labor units.

2.05 The traditional development strategy relied on the accumulations of rural areas and on the government's very strong capability to mobilize resources. This enabled China to basically establish a comparatively complete industrial system within a fairly short time. Its historical contributions and positive significance deserve affirmation. However, after the industrial system was basically established, following the diversified and specialized development of materials production departments and the increasingly complex national economic life, the weaknesses in the original structure and policy environment became increasingly obvious. In this process, although the goal of the strategy whereby the development of heavy industry took precedence over others was revised to some degree, its structure and policy environment remained basically unchanged. The microscopic low efficiency and the waste of macroscopic resources allocation seriously hindered the normal development of the national economy. In particular, under this traditional strategy, agricultural productive forces remained stagnant as a result of a long-term inability to

make accumulations and a high degree of tension developed between the population and the land as large numbers of the rural population and work force were unable to shift smoothly in keeping with the industrialization process. All this shows that the traditional development strategy and its policy and structure could no longer be continued and had to be radically changed. It is not difficult to understand why rural reform unexpectedly took the lead when this kind of readjustment began.

2.06 The point is that, after 15 years of rural reform, extremely profound changes have occurred in the rural economy and its microscopic operational mechanisms, whereas the macropolicy environment, though having been relaxed, has not been radically changed. This is first reflected by the relationship between industry and agriculture and the distribution of national income. To date, the pattern of supporting industry with agricultural accumulations has not been radically reversed. In the process of industrialization, countries around the world have to have agriculture nurture industry. However, general experience shows that the nurturing time cannot be too long, otherwise a huge cost has to be paid. China's past experience has already explained this. Under the new condition of extensively introducing market mechanisms, the government should and must adopt a necessary support policy and protective measures for agriculture, which is a special sector, otherwise history will repeat itself.

2.07 More importantly, the current macropolicy environment already seriously hinders the development of the rural economy and its change into a market structure and has become a difficult point in reform. As we have said previously, in order to guarantee the further growth of agriculture, the rural economy, and peasants' income, we must launch a new structural readjustment and this demands market mechanisms play a fuller role so that production elements can freely flow and recombine within a greater scope. However, in the macropolicy environment, the distorted prices of products and production elements, the administrative intervention which is sometimes strict and sometimes loose, and the various manmade limitations on the flow of production elements hinder the normal growth of the products market and the production elements market and are becoming major limitations to the further development of the rural economy. In rural areas, this is mainly reflected in the planned purchase and marketing system which has not been thoroughly abolished and the city-countryside segregation system. In addition, this distorted macropolicy environment has led to the excessive number of frictions and contradictions in the process of changing the structure. This is because reform has created a new market-oriented mainstay of operations [jing ying zhu ti 4842 3602 0031 7555]. On the other hand, because the macropolicy environment which conforms to the form of the previous development strategy has not been changed accordingly, the two inevitably have acute frictions and contradictions, leading to special difficulties during the period of changing the structure. Therefore, it is high

time the traditional development strategy and its macropolicy environment are changed.

Smash the Key Links of the Old Economic Pattern

2.08 According to the experiences in countries and regions whose economies have developed in a sustained and speedy way since World War II, the development strategy which increases the speed and stability of economic development and possesses inherent structure-optimizing mechanisms is a one with a comparative advantage. By a strategy with a comparative advantage, we mean that we confirm an industrial structure in keeping with a comparative advantage in resources and readjust the industrial structure in keeping with the dynamic changes in the comparative advantage in resources, to ensure that we can fully use resources with a relative advantage to promote the development of the national economy at every stage of economic development.

2.09 The key to readjusting the relationships between industry and agriculture, and between cities and the countryside, does not lie in how we should "subsidize" or "protect" agriculture or other industries through government but in how we should develop the products market and production elements market so that the relative prices of all production elements and products can accurately reflect their relative scarcity. This way, the development of all industries can be rationally laid out in keeping with market price information, their own economic advantages brought into play, and equal competition achieved. Viewed from the angle of readjusting the traditional development strategy, in deepening rural reform we must mainly make breakthroughs in two things at the present stage, namely: Thoroughly smashing the planned purchase and marketing system and the city-countryside segregation system to promote the growth of the products market and the production elements market.

2.10 Thoroughly reforming the planned purchase and marketing system. Since the central authorities announced the abolition of the planned purchase and marketing system in 1985, the scope of planned purchase and marketing of farm products has shrunk greatly. However, the planned purchase and marketing of grain and some industrial materials is still, to varying degrees, being continued and this still has a very great influence on the development of the rural economy. Owing to the stagnant growth in grain output at one time, the purchase of grain has returned from the contract purchase as confirmed in 1985 to state purchase. Despite the fact that grain prices are close to the market prices after their prices were raised on several occasions, state purchase means that grain still cannot be totally regulated by the market. State purchase has the sense of obligation and taxation and is compulsory. In the process of implementing state purchase, it is apportioned among all peasant households. This, in fact, limits peasants from readjusting the industrial structure and rationally allocating resources in keeping with market price signals.

Moreover, by retaining the form of state purchase, we in fact retain the government's right to use administrative means from time to time, and purchasing organizations which are performing the purchase tasks can continue to treat peasants haughtily. This leaves room for a structural relapse. Although this situation has changed a little in recent years since the removal of grain price controls was announced, it is still there. Therefore, we should quicken the reform of the grain purchasing and marketing system as we set up the grain risk fund and the reserve system and we should lift price controls over cotton and silkworm cocoons as soon as possible.

2.11 Break the city-countryside segregation system. Central Document No. 1 of 1984 allowed peasants intending to set up industries, do business, and offer services to take care of their grain supplies and to settle in small towns. In practice, this encouraged the rural population to migrate to small towns and promoted the development of these small towns. Later, however, this trend did not continue following the widening gap between the parity price and negotiated price of grain, the various unmatched urban management and development policies, and the changes in the macroeconomic environment. In recent years, following the development of the small industrial districts for township and town enterprises and of small towns run by peasants themselves, and the upsurge of the "wave of migrant workers," the hot wave of peasants flocking into cities has reappeared, having an impact on the old order in which cities and the countryside are segregated and loosening the city-countryside segregation system. The segregation between cities and the countryside inevitably distorts the prices of production elements making it impossible to fully develop the rich labor resources. On the other hand, it makes it impossible to use capital rationally and effectively. It not only limits the development of rural areas but narrows the room for the structural readjustment of cities themselves. Therefore, in order to promote interaction between cities and the countryside and readjust the industrial structure in a concentrated way, it is necessary to reform the various economic and social policies which segregate cities and the countryside, including those for household management, employment, housing, education, social security, and city development. The first step in breaking the barriers between cities and the countryside is that the state must no longer continue to foster and protect the sense of superiority of city residents, must not protect the privileges of cities at the expense of the interests of peasants and rural areas, and gradually cancel "shifting agriculture into nonagricultural sectors [nong zhuan fei 6593 6567 7236]." Second, while allowing peasants to enter and settle in small towns and in medium and small cities, we should also allow them to come into big cities and megacities and improve and perfect city management methods accordingly.

The Probability of Creating a New Macropolicy Environment

2.12 Reforming the macropolicy environment which suits the traditional development strategy means a readjustment of all vested interests. If this is not done properly, it will lead to social contradictions. However, with the past dozen years or more of reform, China's comprehensive national strength has continuously increased and the people's living standards have greatly improved, people have a stronger psychological endurance for the reform of their own interests, and everyone tends increasingly to sympathize with market structure reform. All this has created the basic preconditions for pursuing this reform.

2.13 Owing to the changes brought about in the industrial structure by the speedy economic growth in the 1980's, especially the speedy development of light industry, China's industrial accumulative capability has obviously strengthened. With the readjustment of the prices of major farm products on several occasions, the exchange of industrial and farm products already tends to be at equal prices. Following the speedy increase in the income of city staff and workers, the Engel's Coefficient of food consumption began to decrease. In 1991, grain expenditure only accounted for 6.5 percent of the living expenses of urban residents. This meant that low-priced farm products no longer played a decisive role in maintaining low labor costs. The contribution of farm products supplies to urban society has already had a change in nature, namely that it has changed from offering accumulations for industry into offering security for society. In view of this, there no longer exist preconditions for continuing the policies of planned purchase and marketing and of city-countryside segregation.

2.14 Since reform, there have been noticeable changes in the accumulative form of national income and in the course of capital flows. Following the growth of enterprises' incomes and personal discretionary incomes, banking and credit have accordingly replaced finance as the main channel of financing and investment; securities, insurance, and real estate have opened up new areas of investment; and banks' savings-absorbing ability has greatly strengthened and a diversified investment pattern has already been formed. On this basis, we not only find it necessary to deepen monetary system reform but we also have increasingly ripe conditions. As long as we straighten out the monetary system and policy and maintain the stability of the state's various basic reform policies, coupled with the people's inherent tendency to save money, the accumulation rate and utilization rate of national income will not decrease overall. In the meantime, since we have straightened out the distorted policy environment so that the comparative advantages of different sectors and different regions can be fully released, it will greatly increase the overall efficiency of the national economy.

2.15 Quickening the development of the products and production elements market is also badly needed for further opening to the outside world, and participating in international competition, and for the government to establish new regulating and controlling mechanisms.

China's rejoining GATT as a member will mean that industrial and farm products will, without exception, participate in international competition. If we do not perfect the market regulating and controlling mechanisms as soon as possible so that all sectors can enhance their own competitiveness according to market rules, then we will lose the relative economic advantage we have or even let our national income drain away through irrational prices. Viewed from the level of the state's macroscopic regulating and controlling mechanisms, the original purchase and marketing system which guarantees the supply of accumulations from agriculture to industry has already become a big burden on the government's expenditure. As a result of the fact that controls over the purchasing prices of major farm products have been lifted while the sales prices in cities lag behind, the amount the government has to allocate from its budget to subsidize the price difference between purchase and marketing comes to tens of billions of yuan and the efficiency this produces is becoming increasingly low and the state will find it increasingly difficult to support it financially.

2.16 In the forthcoming structural readjustment, the most active force is still the hundreds of millions of peasants. In fact, in recent years, peasants have begun to take advantage of the current reform environment to tackle the deep-level composition of the irrational traditional development strategy. What is most noteworthy is the trend wherein peasants are breaking the barriers between cities and the countryside and directly participating in urbanization. According to expert surveys and estimates, the migrant population flowing from the countryside into cities has rapidly increased since the mid-1980's. In 1988, the total number of migrant population had already reached 70 million with 59.34 percent flowing from rural areas. In 1992, the migrant population coming from the countryside into cities remained at 35.75 million per day, most of whom were job seekers. The unstoppable migrant population has created the "wave of peasant workers" which is worsening annually and has become a hot point of concern to society and the media. Peasants' entry into cities has not only quickened the development of tertiary industry but also spurred the reform of the city management structure. In megacities like Beijing there are already residential areas for the migrant population such as "Zhejiang Village." In the villages in these cities, the autonomy of residents in the real sense has begun to emerge. Special economic zones and development areas like Shenzhen, Xiamen, Haikou, and Beihai have a comparatively high proportion of migrant population. They have become migrant cities which are different from other cities. Their development and management have also become more suited to the population flows. In places where township and town enterprises are comparatively concentrated, a number of small cities and towns are quickly emerging, even such new cities as Zhejiang's Longgang Township which was all built by the pooling of funds among peasants themselves.

2.17 Another notable phenomenon is that since price controls on grain have been lifted, the nongovernmental circulation channels formed under the previous "double-track pricing system" for grain purchase and marketing have been rapidly expanding. State-owned grain stations find it "difficult to purchase grain." On the other hand, nongovernmental grain dealers are unprecedentedly active. According to surveys, in typically big agricultural provinces, the volume of interprovincial grain exchange through nonstate channels already exceeds one-fourth of the total. In the entire circulation of farm products including grain, there is an active large sales force consisting of tens of thousands of peasants. A number of wholesale markets run by peasants themselves have been set up, forming a new and noticeable pivot for farm products circulation channels. The wholesale volume of vegetables in Beijing's Dazhongsi Wholesale Market, for instance, already accounts for over one-third of the city's total supplies.

2.18 Following the reform of the city industrial enterprise system and the monetary system, the segregation in reciprocal investment between cities and the countryside is being broken through. At present, it happens that in various localities peasants go into cities and contract on state-run or collective enterprises and that township and town enterprises and city enterprises carry out joint operations, cooperate, and buy or even hold each other's shares. Moreover, some enterprises in cities, especially some food processing enterprises, are beginning to change from dependence on the government to directly establishing affiliated or cooperative relationships with peasant producers. They play a very positive leading role in the production of some farm products.

2.19 To sum up what we have talked about above, we can conclude that China's rural economy in the 1990's will enter a stage of change in its development strategy. At this stage, the structural readjustment for the establishment of new relationships between cities and the countryside and for a development strategy for the national economy will be the basic characteristics of rural economic development. Changing the traditional macropolicy environment and promoting the further growth of the products market and the production elements market in order to complete this strategic change, will be the mainstream of rural reform in the 1990's.

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East Region

Fujian Procuratorate Report for 1993

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Chinese 24 Apr 94 p 5

[Report by Zheng Yizheng (6774 5030 2973), chief procurator of the Fujian Provincial People's Procuratorate, to the Second Session of the Eighth Fujian Provincial People's Congress on 14 April 1994: "Work Report of the Fujian Provincial People's Procuratorate"]

[Text] People's Deputies:

I am now going to deliver a report to this congress on the main facts about the procuratorial work in 1993 and the main tasks for the procuratorate in 1994 for your deliberation.

In the past year, the provincial procuratorial organs at all levels, under the leadership of the party committees and under the supervision of the people's congresses at the same levels, conscientiously implemented the spirit of the 14th CPC National Congress and the Third Plenary Session of the 14th CPC Central Committee; carried out the guideline of "strictly enforcing the laws and effectively handling cases" in procuratorial work as a whole according to the spirit and the resolution from the First Session of the Eighth Provincial People's Congress; intensified the legal supervisory function; made new progress in all fields of procuratorial work; and made positive contributions to maintaining political and social stability and guaranteeing the smooth development of reform, opening, and economic construction in this province.

1. Concentrate Strength on Handling Major and Serious Corruption and Bribery Cases

Last year, especially after Comrade Jiang Zemin's important speech at the second meeting of the CPC Central Discipline Inspection Commission last August, the procuratorial organs at all levels resolutely carried out the tasks laid down by the party central leadership and by the provincial party committee; vigorously carried out an anticorruption struggle; adopted a series of measures to crack down on crime more effectively; handled a number of major and serious criminal cases, including corruption and bribery cases; and achieved new results in their work. The procuratorial organs throughout the province placed a total of 1,876 corruption, bribery, and other criminal cases on file for investigation and prosecution. Of these, 1,119 were major cases involving over 10,000 yuan, an increase of 34.5 percent; cases involving between 100,000 and 500,000 yuan numbered 114; cases involving between 500,000 and 1 million yuan numbered 22; cases involving over 1 million yuan numbered 13; and cases involving law-breaking by cadres at and above the county and bureau level numbered 52, an increase of 370 percent. The number of major and serious cases accounted for 62.4 percent of the total cases placed on file for investigation

and prosecution, a record high. By the end of last year, the investigation of 1,522 cases had been concluded and involved 1,786 people to be prosecuted. Apart from those still undergoing investigation for prosecution, and those exempt from prosecution because of the petty nature of their crimes, prosecutions against 770 people were brought to the courts. Through handling these cases, 75.31 million yuan's worth of direct economic losses caused to the state and the collectives were recovered.

Last year's anticorruption struggle and the actions of meting out punishment to those involved in such crimes as corruption and bribery had the following characteristics: 1. *Strength was concentrated on handling major and serious cases and a number of economic criminal cases involving huge amounts of money were solved.* For example, Zhang Jianping, head of the first section of the Provincial Foreign Trade Center Group Minerals and Chemicals Department, accepted bribes [tan wu 6304 3064] of more than \$2.74 million and more than 640,000 yuan and embezzled [nuo yong 2180 3938] more than \$170,000 of public money. This was the most serious corruption case in this province since the founding of the PRC. After a public trial was held, the court sentenced Zhang Jianping to death. In another case, Zeng Huiyang, a securities dealer with the Trust and Investment Company of the Construction Bank of Fujian Province, accepted bribes of 560,000 yuan and embezzled 4.15 million yuan of public money for illegal stock speculation. After a public trial, the court sentenced Zeng Huiyang to death with a reprieve. Cadres at the county and bureau level who were involved in the corruption and bribery cases on file for investigation and prosecution numbered 47; and cadres at the provincial departmental level involved in such cases, numbered five. These numbers marked an all-time high. In particular, a major bribery case was cracked in the Min Jiang Hydropower Engineering Bureau of the Ministry of Power Industry. Five departmental-level cadres, including bureau chief Zhang Chunbao and bureau party committee secretary Qiao Yanling (both with the rank of full departmental chief) and 10 bureau-level cadres were involved in the case. They demanded and took bribes by taking advantage of their official function in issuing work contracts. This created strong repercussions inside and outside this province. The facts revealed in the course of the investigation of such criminal cases show that if the principal leading cadres in a department are corrupt and degenerate, crimes there will certainly be comparatively serious. Therefore, we always gave priority to the thorough handling of some particularly serious cases among the major cases.

2. *Resolute action was taken to handle criminal cases which occurred within the party and government leading organs, the judicial organs, the law enforcement administrative organs, and the economic management organs.* Last year, 756 corruption and bribery cases in these four types of organs were investigated and handled. Of these, 126 cases were in party and government leading organs,

180 were in judicial and law-enforcing administrative organs, and 450 cases were in economic management organs. The procuratorate in Nanping Prefecture investigated and handled a major case involving Qu Awang and Wei Mingjing, director and deputy director of the prefecture's hydropower bureau, who were suspected of abusing their official functions and accepting bribes. The procuratorate in Quanzhou City investigated and handled the major case of Lin Wentao and five other customs officials who were suspected of taking bribes amounting to more than 360,000 yuan and showing favor to smugglers on many occasions by not checking the smuggled goods. Chen Ganming, deputy director of the Yunxiao County Public Security Bureau, extorted and accepted bribes amounting to 34,000 yuan by means of threatening to arrest some people. Chen, whose dastardly behavior aroused strong public indignation, was sentenced to life imprisonment after his trial on the basis of the procuratorial organ's investigation. The handling of these cases was of great significance in maintaining the incorrupt nature of the party and government organs and safeguarding the solemnity of the state laws.

3. The particularly serious smuggling cases involving the law enforcement personnel from some administrative organs were directly investigated and handled according to the relevant law. Last year, in accordance with Article 13 of the "Criminal Procedure Law" and the requirements of the "Circular on Sternly Cracking Down on Smuggling Activities" issued jointly by the Supreme People's Procuratorate and Supreme People's Court, the procuratorial organs directly investigated and handled four particularly serious smuggling cases: In the first case, Fujian Anhua Development Company participated in smuggling 600 sets of motorcycle parts with a total value of 8.36 million yuan. The department concerned confiscated the smuggled goods and imposed a fine on the company but did not transfer the case to the judicial organ to bring the criminal offenders in the case to justice. The provincial procuratorate placed the case on file for investigation and prosecution. The provincial party committee, the provincial government, and the provincial people's congress attached great importance to the handling of this case and strongly supported the procuratorate. After efforts over one and a half months, the investigation was concluded and a public indictment was filed to the court. In the second case, Zhanghai Economic Development Company practiced fraud when importing 10,000 tonnes of steel products in the name of 17 foreign-funded enterprises for their own use and then resold the duty-free goods for 34.7 million yuan, making an illegal profit of 1.8 million yuan. The company thus caused 6.89 million yuan in losses to the state's customs tariff and product tax revenue. The Zhangzhou City Procuratorate placed the case on file for investigation and prosecution and brought those responsible in the case to justice. In the third case, Zhanglong Enterprise Co. Ltd. and Zhangan Labor Service Company collaborated in smuggling 1,000 Hitachi 63-cm color TV sets. The Zhangzhou City Procuratorate has placed the case on file for investigation and prosecution. In the fourth

case, 12 people, including the leader and members of an anticontraband team headed by Wang Shaomin, director of the Xiapu County Industrial and Commercial Administrative Bureau, abused their official functions by participating in smuggling 899 cartons of cigarettes worth 2.29 million yuan. The Xiapu County Procuratorate has concluded investigating the case and has conducted a public trial. The procuratorial organs' direct investigation and handling of these smuggling cases played a positive role in checking the participation by institutions in smuggling activities and effectively prompting the law enforcement organs concerned to perform their functions rigorously.

4. Constant efforts were made to rely on the masses in performing professional functions. We cannot do without the people's support in the course of discovering crimes, collecting evidence, and punishing criminal offenders. Last year, the procuratorial organs throughout the province received a total of 15,349 items of information and evidence and 11,921 of these items related to cases currently being handled. More people provided information using their real names and a larger proportion of the information was verifiable. The information provided by ordinary people exposed 69.2 percent of the corruption, bribery, and other criminal cases on file for investigation and prosecution in the procuratorates throughout the province. The procuratorates at all levels adhered to the principle of "being resolute and prudent and verifying all evidence" in the course of investigation and employed all legal means with flexibility to unearth major and serious cases. Last year, the procuratorial organs in Nanping, Longyan, Fuzhou, and Quanzhou successfully collected decisive evidence for 14 extremely serious corruption cases, involving more than 300 suspected lawbreakers and over 7 million yuan in ill-gotten gains. In the course of handling these major cases, 181 related cases were placed on file for investigation and prosecution, of which 102 were major cases and 26 were serious cases. The procuratorial organs also made more effective efforts to round up criminals at large. Last year, 61 economic criminal offenders at large were arrested in this province. Ten of these people were suspects in serious cases involving over 500,000 yuan; four were even suspected in cases involving the huge amount of over 1 million yuan. In addition, 122 people who had committed crimes of corruption surrendered themselves to the procuratorial organs because they were frightened by the power of the laws.

5. Chief procurators took the lead in handling cases. We adopted the work system which required that chief procurators take the lead in handling cases and defined the responsibilities of chief procurators at various levels for handling cases of differing seriousness. The chief procurator of the provincial procuratorate is responsible for handling serious cases involving over 500,000 yuan and major cases involving departmental-level cadres; the chief procurators of the prefectural and city procuratorates are responsible for handling serious cases involving between 100,000 and 500,000 yuan and major

cases involving bureau-level cadres; and the chief procurators of the county procuratorates are responsible for handling serious cases involving between 50,000 and 100,000 yuan. Last year, 174 chief procurators and deputy chief procurators personally directed and participated in the investigation of 674 corruption, bribery, and other criminal cases. The chief procurators also personally examined letters and complaints from the masses and discovered a number of important clues in some major cases. In the practice of taking the lead in handling cases, the leaders enhanced their work ability to make decisions in a democratic and scientific way and to control the overall work situation.

Last year, the procuratorial organs investigated and handled 286 cases of evading taxes and refusing to pay taxes and 87 cases of counterfeiting trademarks, recovering more than 13 million yuan in direct economic losses to the state and the collectives.

The cases being investigated and handled in recent years show that the seriousness and prominent characteristics of the crimes of embezzlement and bribery are reflected in the following facts: First, the criminal cases often involve large amounts of money and the number of major and serious cases is on the increase. Second, an extremely small number of leading cadres abuse the power in their hands in pursuit of private gains, exchange power for money, and commit serious crimes of embezzlement and accepting bribes. Third, a small number of functionaries in the judicial and law enforcement administrative organs were involved to a serious degree in extorting and accepting bribes, bending the law, and other irregularities. Fourth, the incidence of economic crimes increased in some functional departments which play a key role in regulating the market economy and in some active economic sectors. Fifth, there were more criminal activities involving legal persons; in particular, an extremely small number of law enforcement institutions were involved to a serious degree in smuggling activities. Sixth, some new forms of criminal activity appeared in the stock and securities market and in the real estate market. Seventh, economic crimes were committed, in many cases, by people holding concrete power in some specific fields; for example, those committing crimes of embezzlement were often people managing money and those extorting and accepting bribes were often people managing personnel, material, and financial affairs. Eighth, crimes were committed through collaboration between insiders and outsiders and between people from different localities and departments. Ninth, in the departments and localities where irregularities existed to a serious degree, the principal leaders were often corrupt and degenerate and the incidence of crimes was higher. Tenth, many criminal offenders were motivated by their desire to seek physical pleasures, often lavishing their ill-gotten gains on leading a dissipated life, gambling, and visiting prostitutes.

In general, the vast majority of party and state officials are working honestly and diligently for the benefit of the

general public. However, a small number of seriously corrupt people certainly exists and we should be fully aware of the harm and danger their existence poses. As Comrade Jiang Zemin pointed out, if we take such problems lightly and allow evil to spread unchecked, then our party and the people's government will eventually be ruined, as will the great cause of socialist modernization in our country.

At present, the situation in the anticorruption struggle is very good and it continues in depth. However, quite a few problems still remain. The main problems are: The leaders of some departments and localities still do not properly understand the necessity to "use both hands to grasp the work and keep both hands tough," thus they cannot investigate and handle major and serious criminal cases effectively and the anticorruption struggle there has not yet achieved good results. In some places, the local authorities have replaced the laws with their own oral instructions, using their administrative powers to interfere in the enforcement of the laws and impeding the procuratorial organs in their investigation and handling of major and serious cases. Some units do not transfer the discovered criminal evidence to the procuratorial organs for investigation and prosecution. On the other hand, some chief procurators lack the courage to perform their law enforcement duties when encountering tough cases; some police officers have not adapted their law enforcement methods to the needs of the struggle and have yet to enhance their ability to discover and verify crimes; some police officers fail to rigorously enforce the law, or even bend the law, while performing their duties, thus affecting and disrupting the handling of the cases; the rate of exemption from prosecution in corruption and bribery cases is 33.5 percent, which is still too high though it is a bit lower than in the previous year; and the effectiveness of the crackdown on crimes has not been markedly improved. In addition, the local procuratorates are still short of working funds and their technical equipment, transportation, and communications remain backward in quality and insufficient in quantity. This has also affected the efficiency of investigating and handling major and serious cases. All such problems and difficulties have to be solved in our future work.

II. Maintaining Stability, Sternly Cracking Down on Serious Criminal Activities

Persistently inflicting stern and quick penalties on serious criminal offenders and resolutely cracking down on serious criminal activities is an important aspect of our efforts to maintain social stability and is also another key point of the procuratorial work. Last year, the procuratorates closely cooperated with the public security organs, the law courts, and the law enforcement administrative departments in taking intensive actions to deal with the salient problems in law and order and to crack down on various crimes.

1. Approving arrest applications and handling cases transferred by the public security organs for arrest and prosecution in a timely fashion. Last year, the procuratorates handled applications submitted by the public security organs for the arrest of 16,220 suspects and approved 14,395 arrests after examination, an increase of 10.9 percent over the previous year. The procuratorates handled the cases of 15,327 suspects for prosecution and for exemption from prosecution transferred from the public security organs and conducted public trials against 12,062 people, an increase of 6.4 percent. On the other hand, 1,290 people were exempted from prosecution.

2. Giving priority to cracking down on such vicious and violent crimes as murder, robbery, rape, causing explosions, and the illegal use of firearms and cracking down on criminal gangs with the nature of triads. Last year, the procuratorates approved the arrest of 5,150 suspects involved in serious violent crimes and brought 4,137 of them to public trial, increases of 29.8 and 27.1 percent respectively. The procuratorates also approved the arrest of 549 members of crime syndicates and prosecuted 322 of them, increases of 9.8 and 14.6 percent respectively.

3. Taking an active part in the struggle against highway and railroad robbery, theft, smuggling, illegal emigration, and prostitution. The procuratorates at all levels conscientiously carried out the instructions of the central authorities and the provincial party committee on suppressing highwaymen and railroad robbers. They dispatched investigation teams led by chief procurators to key areas and sections of highways and railroads, cooperating with the departments concerned in rounding up and suppressing highwaymen and railroad robbers. Last year, the procuratorates approved the arrest and pursuit of 1,516 highwaymen and railroad robbers, increases of 15.6 and 17.6 percent respectively. The procuratorates in coastal areas intensified the crackdown on smuggling and illegal emigration and approved the arrest of 101 people suspected of illegal emigration and prosecuted 161 such criminals (including those arrested during the previous year). This included the approved arrest of 91 organizers of illegal emigration (also called "snake heads") and the prosecution 101 such criminals (including those arrested in the previous year). Action was also taken to punish lawbreakers who committed such crimes as trafficking in drugs, selling pornographic items, abducting and kidnapping women and children, and enticing and forcing women to practice prostitution. The procuratorates approved the arrest of 391 suspects in such crimes, prosecuting 439 criminals (including those arrested in the previous year).

4. Increasing the advance participation in the handling of serious criminal cases. The procuratorates made advance participation in the handling of 2,733 serious criminal cases from the stage of approving arrests and made advance participation in the handling of 1,808 serious criminal cases from the investigation and prosecution stage, increases of 225 and 250 percent respectively. The advance participation in the investigations and preliminary hearings not only enhanced the efficiency and

quality of the work of approving arrests and conducting prosecutions but also enabled the procuratorial personnel to discover facts relating to the cases in good time, collect sufficient evidence, cooperate with the public security organs more closely, and supervise the investigation activities more effectively.

5. Improving the effectiveness of the procuratorial link in the comprehensive measures for maintaining public security and public order. Through the public prosecutions in the courts, the procuratorates played a positive role in giving publicity to the laws and regulations, helping cadres and ordinary people increase their understanding of the laws and regulations and prompting them into abiding by the laws and regulations. Through handling criminal cases, the procuratorates also made suggestions to the units where crimes occurred about removing the hidden perils. The procuratorates gave more effective reeducation to convicts undergoing reform through labor and to offenders who were exempted from prosecution. They also carried out the established measures for helping and educating offenders exempted from prosecution and convicts being released after completing their prison terms and reeducation-through-labor terms by calling on these people and monitoring their behavior regularly. The procuratorates set up fixed ties for maintaining law and order with certain factories, mines, schools, and villages; paid close attention to trends in society; and organized mass activities of preventing and cracking down on crimes. The procuratorates conscientiously carried out the "Law on Protecting Minors" adopted by the National People's Congress Standing Committee, improved the work of arrest approval and prosecution involving cases of juvenile delinquency, and strengthened measures for preventing juvenile delinquency and for educating and rescuing juvenile delinquents. The procuratorates conscientiously handled letters and complaints from the masses and took the initiative in helping the departments concerned to promptly and properly handle collective complaints and civil disputes, thus removing various factors which could affect social stability.

At present, public order in the province is stable on the whole but the law and order situation remains rather stern. The hostile forces and individuals within and without the mainland of China have never stopped their sabotage and secret-stealing activities; serious criminal cases are still on the increase and violent criminal cases have been increasing by a big margin; the activities of crime syndicates in some places remain rampant and some of these crime syndicates are triads; and factors which can affect political stability and public order continue to increase. In law enforcement work, some localities are still failing to crack down on criminal activities effectively. We should closely cooperate with the public security and state security organs, and with the people's courts, in taking resolute action against counterrevolutionary criminals who endanger state security in various forms and against serious criminal offenders, making efforts to safeguard political stability and public order.

III. Performing the Functions in Rigorous Law Enforcement

Last year, we particularly emphasized rigorous law enforcement. The procuratorates themselves were required to rigorously enforce the law and to intensify internal control over the handling of cases which they directly investigated; on the other hand, they conscientiously performed the duties of exercising legal supervision as stipulated by the Constitution and other laws and intensified the supervision over the law enforcement work of the other institutions concerned. **1. Intensifying supervision over investigation.** Attention was paid mainly to the phenomena of not bringing lawbreakers to justice and replacing terms of imprisonment with fines. The procuratorates rigorously performed their duty of exercising legal supervision over the investigation activities of the public security organs. They also took legal measures to correct the practice of not bringing lawbreakers to justice or treating innocent people as criminal offenders, as soon as such problems were discovered. Last year, in the course of examining the arrest applications and the prosecution preparations, the procuratorates issued warrants for the arrest of 223 lawbreakers at large and instituted prosecutions against 29 criminal suspects who had not been prosecuted initially; on the other hand, the procuratorates overruled the arrest of 792 people who had not committed any crime and whose arrest was unnecessary, decided not to prosecute 66 people who should not have been suspected of having committed a crime, and returned the cases of 4,359 suspects to the public security organs for further investigation. The procuratorates submitted 314 proposals for correcting illegal practices in the investigation process. Some local procuratorates also supervised the handling of major criminal cases and took action according to the laws and regulations to correct the practice of failing to charge and arrest lawbreakers or replacing necessary prison sentences with fines. For example, Wang Teh-chin, a lawbreaker from Taiwan, colluded with six other lawbreakers in Aoqian Town, Pingtan County, in organizing the illegal emigration of 112 people and gaining an illegal profit of 1.7 million yuan. Under the legal supervision of the local procuratorate concerned, the case was properly handled and the criminals in the case were punished according to law.

2. Intensifying supervision over the trials of criminal cases and sentencing. Attention was paid mainly to incorrect court judgments which treated serious crimes as petty crimes or treated the guilty as innocent, protests being filed against such judgments. The provincial procuratorate dispatched special officials to investigate a number of cases in which the courts announced the innocence of the accused in some localities. Protests were filed if the court judgments were found to be incorrect. Last year, the procuratorates filed 50 protests against incorrect court decisions on criminal cases and put forward 46 proposals to correct the lawbreaking practices in court hearings.

3. Intensifying discipline supervision over legal proceedings. Attention was mainly paid to malpractices by some government functionaries in abusing their powers, infringing upon people's civil rights, and cases of malfeasance. Last year, the procuratorates investigated and handled 352 cases of such malpractices as bending the law for private gain, extorting confessions by torture, effecting illegal detention, neglecting public duties, and causing serious accidents through dereliction of duty. Such cases accounted for 81.3 percent of the lawbreaking cases in the law enforcement field. The Quanzhou City Procuratorate investigated, in accordance with the law, the case of Lin Zhaoze and others in the Nanan City Public Security Bureau, who tortured people under interrogation to death; the investigation has been concluded and a public trial held. The Hanjiang District Procuratorate in Putian City investigated, in accordance with the law, the case of Yao Yinghuang, a policeman from the Suburban Police Station of the District Public Security Sub-bureau, who illegally detained and beat up Chen Guozhang, a people's deputy in Putian County. A public trial was held and the court sentenced Yao to one year's imprisonment, suspended for 18 months.

4. Intensifying supervision over prisons and places for reeducating convicts. Attention was paid mainly to such lawbreaking cases as prison management personnel who practiced corruption, took bribes, performed corporal punishment and mistreatment prisoners, releasing prisoners illegally, and neglecting official duties. Supervision over court decisions in criminal cases and the implementation of such decisions was also strengthened. The procuratorates corrected the illegal and unwarranted detention of 70 people, the illegal release of 61 people, and the continuing imprisonment of 18 people who should have been released. They also corrected the handling of 23 convicts who were improperly released on parole, whose prison terms were improperly decreased or increased, and who were released on bail for medical treatment. The procuratorates gave advice on correcting the illegal practices in prison management, including illegally prolonging the prison terms of some convicts. As some prisons and places of correction ordered convicts or their families to pay unfair and irregular charges and fees, the procuratorates investigated such problems and promptly checked such practices. At the same time, the procuratorates cooperated with the correction institutions in resolutely suppressing convicts who took the lead in resisting prison management and acting as overlords among their fellow prisoners. Prosecutions were brought against 178 convicts who were undergoing reform through labor or receiving reeducation through labor when they committed new crimes while serving their sentences. **5. Intensifying procuratorial supervision over the handling of civil and administrative cases.** Attention was paid mainly to lodging protests against incorrect court judgments in civil, economic, and administrative disputes. Last year, the procuratorates handled 541 such appeals, placed 121 cases on file for investigation, and finished the investigation of 115 cases. They lodged protests against the court decisions on 33 of these cases.

to the procuratorates at the higher levels and lodged protests on 24 cases to courts, with different decisions being made by the courts. At the same time, serious action was taken against the court personnel who made incorrect judgments in civil cases by perverting justice after accepting bribes and private gains. Xue Lizhi, deputy chief judge of the Pingtan County Court, and Lin Maohao, an assistant judge of the court, accepting 20,000 yuan in bribes when handling a debt dispute case. They thus practiced fraud and bent the law when making the judgment. The procuratorate concerned investigated the case and brought a prosecution against the court officials. They were sentenced to imprisonment for five and six years respectively. The procuratorate also lodged a protest against the first court judgment on the civil case.

6. Intensifying procuratorial supervision over the handling of appeals. Attention was paid mainly to reexamining the handling of appeals against decisions on exemptions from prosecution and against court decisions in criminal cases. Last year, the procuratorial organs handled 552 initial appeals within their jurisdiction, gave replies to 276 appeals, placed 182 criminal appeals on file for reexamination, and corrected the decisions on 38 cases. Of the appeals, 151 were against the decision on exemption from prosecution and the original decision on 32 cases was changed; three were criminal appeals against the sentences made by the courts and one case was retried by the court and the original sentence was changed.

Through intensifying supervision over law enforcement the procuratorates played a positive role in prompting the departments concerned to rigorously enforce the law, guaranteeing the unified and correct enforcement of the state law, and protecting the democratic and personal rights of the citizens. However, they still could not fully perform the function of exercising legal supervision and their supervision was still not effective enough. The environment and conditions for rigorous law enforcement have yet to be improved. The new situation of establishing the socialist market economy urgently requires rigorous law enforcement. The established laws must be followed and rigorously enforced and those who violate the law must be brought to justice. Therefore, it is necessary to carry out legal supervision more effectively.

IV. Setting Strict Demands on the Procuratorial Personnel and Guaranteeing Their Integrity and Ability

Over the past year, the procuratorates at all levels persistently carried out the principle of strictly performing procuratorial functions according to law and made great effort to improve their work and enhance the political and professional quality of the procuratorial personnel.

In order to guarantee the integrity of the procuratorial personnel, we adopted five main measures: First, we required leading cadres to carry out serious self-examination and self-correction, strictly in accordance

with the five-point anticorruption self-discipline requirements laid down by the central authorities. Second, we resolutely investigated and handled lawbreaking and violation of discipline cases occurring among procuratorial personnel, never shielding the evildoers or concealing the problems. Last year, we handled 32 such cases, three of which were criminal cases. Zheng Lilin, an assistant procurator of the Gulou District Procuratorate in Fuzhou City, accepted bribes and then absconded to avoid punishment. He is still on the wanted list. Liu Tong, an assistant procurator from the Longyan City Procuratorate, joined others engaging in illicit coal trading and evading taxes. He was sentenced to six months' detention. Third, we resolutely checked and corrected the illegal practice of abusing the procuratorial functions by levying irregular charges. Some grass-roots procuratorates charged fees for exempting from prosecution, fees for criminal investigations, guarantee money for repentance and bail, amounting to a total of 154,600 yuan. All the money has been returned to those who paid it. Fourth, we seriously screened and reorganized the business companies run by procuratorates. The procuratorates throughout the province once ran 36 business companies; 23 have been closed down, 11 were transferred to other institutions, and two are still being handled. Fifth, we conscientiously implemented the "Circular on Strictly Enforcing Discipline and Rigorously Enforcing the Laws in Law Enforcement Departments" issued by the Central Commission on Politics and Law, further establishing and perfecting anticorruption rules and regulations, strengthening the work of discipline inspection and supervision, and improving the internal supervisory mechanisms.

Strengthening ideological and political work. Cadres and policemen were organized to study the third volume of the "Selected Works of Deng Xiaoping" so that they could arm their minds with the theory on building socialism with Chinese characteristics. They were also organized in studying the theoretical knowledge about the socialist market economic structure in order to enhance their firmness and consciousness in carrying out the party's basic line. Education was given to all procuratorial personnel on the issues of rigorous law enforcement, procuratorial discipline, the principle of serving the people wholeheartedly, and honestly performing official duties. Publicity was given to the progressive and exemplary deeds of the procuratorial personnel who performed official duties honestly, faithfully, and with selfless dedication and advanced collectives and individuals in various aspects of the procuratorial work, especially in the forefront of case handling, were commended. Through the establishment of the chief procurator training system, procuratorial diploma courses were given to procuratorial personnel and professional training was organized in various forms and through various channels. Education and training for cadres were strengthened.

Last year, the election of new leading bodies in grass-roots procuratorates throughout the province was completed. A number of outstanding young and middle-aged

cadres, with integrity and ability and with professional knowledge and practical experience, were elected as chief procurators. The leading bodies in the grass-roots procuratorates were consolidated and strengthened.

Last year, according to the Supreme People's Procuratorate instructions, tax affairs procuratorial offices, mainly at the township level, were consolidated and improved. The management systems and the organizational structure were improved so that they functioned more effectively.

Over the past year, the vast number of procuratorial cadres and police officers in this province demonstrated a high morale and good working style while facing arduous tasks and difficult conditions. They were tempered in the anticorruption struggle and stood tests in that struggle. A number of advanced collectives and individuals emerged in the work and they made outstanding contributions to the improvement of the procuratorial work in all aspects.

V. Implementing the "Regulations" and Conscientiously Accepting the Supervision by the People's Congress

Last year, the procuratorial organs at all levels conscientiously implemented the "Regulations on Subjecting the Procuratorial Organs to Supervision by the People's Congresses and Their Standing Committees" laid down by the Supreme People's Procuratorate and subjected their work to supervision by the state power organs. First, continuing to pursue the effective systems of giving regular work reports, special reports on important issues, immediate reports on major cases, and advance reports on personnel changes. Last year, the provincial people's congress standing committee held the chairman's meeting and the fourth plenary meeting to listen to the provincial procuratorate reports on cracking down on the crime's of corruption and bribery. The meetings also emphasized the need to bring the functions of the procuratorial organs into better play. This played an important role in guiding and promoting the work of the procuratorates in the process of rigorous law enforcement and effective case handling.

Some local procuratorates set up the system of keeping a namelist of local people's deputies and keeping regular contacts with them. They included the activities of contacting people's deputies in their routine work plans and made concrete arrangements for this. Second, chief procurators attended the meetings of the people's congress standing committees as observers, resolutely carried out the resolutions and decisions adopted by the people's congress standing committees, and conscientiously accepted the law enforcement inspections by the people's congress standing committees. They also seriously considered the opinions of the people's congress standing committees and promptly adopted measures for solving the problems discovered during the inspections. Third, the procuratorates conscientiously considered the opinions expressed by people's deputies and the measures passed by the people's congresses. They

assigned special cadres to take charge of cases and other affairs, including the motions, proposals, criticisms, and opinions transferred from the people's congresses. They also gave quick feedback to the people's congresses. Through accepting supervision by the people's congresses and their standing committees, we deeply felt that such supervision was supportive of our work and, only under the supervision of the state's power organs, could the procuratorial organs correctly and effectively perform their functions and fully play a role in exercising legal supervision.

People's deputies:

In 1994, the general tasks for the whole party and the whole nation is to grasp the opportunity, deepen the reform, expand opening, promote development, and maintain stability. The procuratorial work must be properly oriented to the needs of these general tasks and must serve their general fulfillment. At the provincial chief procurators meeting earlier this year, we fixed our main tasks for the year: Under the guidance of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics, we must: Conscientiously carry out the spirit of the 3d Plenary Session of the 14th CPC Central Committee and the instructions by the central leadership on struggling against corruption; persistently carry out the principle of "using both hands to grasp the work and keeping both hands tough"; strengthen the legal supervision function; rigorously enforce the laws and regulations; effectively handle cases; concentrate strength on investigating and handling major criminal cases of corruption and bribery, criminal cases involving legal persons, and cases of not rigorously enforcing laws; sternly crack down on serious criminal activities; take an active part in the comprehensive activities of maintaining law and order in society; safeguard political stability and public order; create a benign law environment for reform, opening, and modernization in this province; and promote the establishment and development of the socialist market economic structure.

1. In the anticorruption struggle, continue to concentrate strength on investigating and handling major and serious cases. Priority is to be given to investigating and handling criminal cases involving party and government leading organs, leading cadres, the judicial institutions, the law enforcement administrative institutions, the economic management institutions, and their personnel; especially the criminal cases of corruption and bribery among leading cadres, cases of bending the law by judicial and law enforcement administrative personnel in the course of law enforcement, and the criminal cases involving legal persons. Top priority is to be given to handling the most important serious cases and the most important major cases and such cases must be handled conscientiously. No matter who is involved in such cases, the investigations must be thoroughly carried out without leniency. It is necessary to sort out the available evidence and information promptly, especially that related to major and serious cases. Attention should be paid to the comprehensive and flexible employment of

various legal investigation means and efforts should be made to collect decisive evidence. The provincial procuratorate and the prefectural and city procuratorates should organize, direct, and inspect the investigation and handling of major and serious cases more effectively. They should supervise and guide the work of their immediate subordinates, thus advancing the struggle in depth, step by step, by removing obstacles and resistance.

2. Persistently carry out the principle of inflicting severe and quick punishments on serious criminal offenders according to law and sternly cracking down on serious criminal activities. Priority is to be given to cracking down on such crimes of violence as murder, robbery, rape, causing explosions, and stealing firearms and cracking down on crime syndicates, especially triads. Arrests and prosecutions should be carried out as quickly as possible according to law so that severe punishments can be inflicted on the criminals through cooperation with the departments concerned. We must take an active part in the struggle to crack down on crime syndicates, solve major cases, and round up criminals at large. We must also participate in cracking down on highway and railroad robbery, thefts, abduction, prostitution, smuggling, and illegal emigration. The procuratorial work related to state security will be strengthened and severe action will be taken against criminals who endanger our social and political stability in various ways. At the same time, the procuratorial link in the comprehensive management of public security will also be strengthened.

3. Intensify law enforcement supervision and correct the problems of not strictly enforcing the law. Attention will be paid to uncovering various phenomena of not following the legal procedures in handling cases and not strictly enforcing the law. We will shortly advance proposals on correcting such practices. In particular, we shall investigate and handle such criminal cases among the judicial and administrative law enforcing personnel as abusing power, bending the law to seek private gain, shielding evildoers, extorting confessions by means of torture, effecting illegal detention, mistreating or employing corporal punishment on people in jail or under detention, covering up criminal facts, providing false evidence, and harboring criminals, resolutely bringing such lawbreakers to justice.

4. Consolidate the contingent of the procuratorial personnel and enhance their integrity and law enforcement ability. We will earnestly study the third volume of the "Selected Works of Deng Xiaoping," arm our minds with the theory on building socialism with Chinese characteristics, and continuously enhance the integrity and ability of the procuratorial cadres and police officers. We must seriously deal with the corrupt phenomena existing among the procuratorial personnel and resolutely investigate and handle the lawbreaking and violation of discipline cases among them. At the same time, we will persistently carry out the principle of "running the procuratorates and performing the procuratorial functions strictly according to law." We will

conduct reeducation on ideals, beliefs, and principles for all procuratorial personnel and will require them to strictly abide by laws and discipline, rigorously enforce the laws and regulations, and handle cases in a correct manner. We will also conduct discipline and professional ethical education for them and establish and perfect the concrete anticorruption rules for the procuratorial personnel, the responsibility system for case handling, and various rules and regulations for internal supervision and self-discipline.

People's deputies: The people's procuratorates at all levels in this province and all procuratorial cadres and police officers will, under the effective leadership of the party committees and under the supervision of the people's congresses and their standing committees, will continue to make greater achievements in their work, overcome difficulties, and make new and solid progress in the effective and efficient handling of cases, the rigorous enforcement of the laws and regulations, and in doing down-to-earth work to perform the procuratorial function in all aspects.

Jiangsu's Xuzhou Becomes Key Distribution Center

OW1305020994 Beijing XINHUA in English 0141 GMT 13 May 94

[Text] Xuzhou, May 13 (XINHUA)—Xuzhou in east China's Jiangsu province used to be contested by all strategists due to military purposes, but today it has assumed new importance in line with its strategic position—it has now become a key goods distributing center of coal, iron and steel, oil, machinery, durables and daily necessities.

Early at dawn, the city is thronged with business people and motor vehicles carrying fresh vegetables and other commodities from almost all parts of the country to sell goods or purchase what they need.

A survey shows that the transaction volume of vegetables alone in Xuzhou tops 300,000 kilograms a day.

"Xuzhou's business is so developed that people from all corners of the country wish to dig into it for profits," said Huang Yuannan, a businessman from east China's Zhejiang Province who is operating a stall of decorations at the Xuanwu small commodities market.

He disclosed that his fellow natives have booked some 500 stalls at the market.

Jiang Qijun, a businessman from Harbin, capital of northeast China's Heilongjiang Province, has made big profits by operating a furniture shop and engaging in furniture-making in the Kaiming market. The 30-year-old man now has fixed assets worth several hundred thousand yuan.

Both Jiang and Xu are typical examples of 10,000 business people from other parts of the country who open shops in Xuzhou.

In the afternoon and evening, Xuzhou's five major state department stores are the best places for visitors and shoppers.

These splendid stores are a feast for the eyes and shop assistants with smiling faces are always ready to offer a helping hand.

Xuzhou is located in the area where Shandong, Jiangsu, Henan and Anhui Provinces meet, and at the bank of the ancient Beijing-Hangzhou grand canal, where the Lianyungang-Lanzhou and Beijing-Shanghai railways meet.

Known as a "museum of war," the city has experienced more than 200 battles in history.

"It was its geographical location provided with convenient transport facilities that has enabled the city to develop into a business center," said Yu Xianrong, director of the Xuzhou Bureau of Commerce.

According to Xu Jiping, director of the Xuzhou City Administration for Industry and Commerce, Xuzhou has set up 437 markets of farm produce, trade businesses, small commodities, industrial products and production factors, with an annual transaction volume totalling 12.5 billion yuan.

"These markets are paving the way for the city to further boost the market economy," said Li Yangzhen, a senior official of the city.

More and more Xuzhou citizens have abandoned their view of distaste toward business careers.

According to statistics, Xuzhou has more than 100,000 registered private business people.

While welcoming business people from across the country, Xuzhou is further improving its investment conditions to attract overseas investment.

So far, 220 Taiwan-funded companies have opened service in the city.

Jiangxi Journalists Urged To Foster Professional Ethics

HK1305074794 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 9 May 94

[Text] After reading a XINHUA news account about the press units symposium sponsored by the central propaganda department in the country's capital, which urged the authorities to sound frequent warnings to the press circles, Governor Wu Guanzheng issued an important written instruction on strengthening the building of professional ethics in the journalist ranks. In his instruction, the governor urged journalists to draw a lesson from the fact that a small number of reporters violated the law and committed offenses in the illegal fundraising activities of the Great Wall Company. He told them to behave properly and stick to correct opinion guidance as the society undertakes major changes, to

attach importance to ideological problems, and to strive to remold their own subjective world while changing the objective world.

The Jiangxi Provincial CPC Committee Propaganda Department attached great importance to the building of professional ethics in the journalist ranks. Zhong Qihuang, Standing Committee member of and propaganda department director of the provincial party committee presided over a regular meeting of principal persons in charge of the press units under the direct jurisdiction of the provincial government on media, publication, and propaganda work. The meeting worked out a specific plan to thoroughly educate the press in professional ethics and strengthen the building of the ranks of journalists and decided to slate May as the professional ethics education month for the province's journalists. For this purpose, the meeting issued a circular containing the requirements of the month's activities.

Shandong Leaders Attend Sino-Japan Association Meeting

SK1305024694 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 11 May 94

[Text] The 14th annual meeting of the Sino-Japan Association for the Exchange of Economic Knowledge ended in Jinan on the afternoon of 11 May after completing all items on the agenda. In the past 2 days, members of the Chinese and Japanese sides made a profound analysis of the current economic situation of the world and the trends of economic development in East Asia, extensively explored the channels and prospects of cooperation between China and Japan in multiple spheres, and offered some valuable views on the multilateral economic cooperation. This association has paid high attention to the economic development of Shandong Province. At the meeting held on the afternoon of 11 May, this association specially discussed on Shandong's economic development.

Jiang Chunyun, secretary of the Shandong Provincial Party Committee, and Zhao Zhihao, governor of the province, respectively delivered speeches at the meeting. They profoundly discussed and exchanged views on the issue of further expanding the friendly cooperation between Shandong and Japan. Jiang Chunyun and Zhao Zhihao maintained: Japan is a major economic and trade cooperation partner of Shandong. The convocation of this meeting will bring about a new opportunity for the economic cooperation between Shandong and Japan. The vistas of the economic and trade cooperation between Shandong and Japan are vast.

Jiang Chunyun and Zhao Zhihao pointed out: Looking forward to the future of the economic and trade exchanges between Shandong and Japan, there are many favorable conditions and great potentials. First, the exchanges between Shandong and Japan have a long history and a good cooperation foundation. Second, from the view of optimizing the setup of productive

forces, Shandong and Japan are much complemented with each other in the economy. Third, both China and Japan are located in East Asia and thus there are geological advantages in the economic and trade cooperation between the two countries. So long as we persist in the principles of mutual benefit and making up for each other's deficiency with one's advantages, much can be accomplished in the economic and trade cooperation between the two sides.

On the evening of 11 May, Comrade Gu Mu hosted a banquet to warmly entertain members of the Japanese and China sides. He congratulated the annual meeting on its successful convocation.

Shandong Reports Progress in Fight Against Poverty

OW1205123994 Beijing XINHUA in English 0907 GMT 12 May 94

[Text] Jinan, May 12 (XINHUA)—Shandong Province in East China has pledged to help all its residents shake off poverty within five years.

In China the poverty line means that people have an annual income of less than 200 yuan per capita and less than 200 kg of grain a year.

A provincial official in charge of the aid-the-poor project said that Shandong has made progress in this field over the past decade and the number of poor people has dropped to four million at present.

These people are mainly distributed in remote mountainous, beach and lake areas with adverse production and living conditions.

According to the plan, the governor will be in charge of the overall work, while local officials' promotion will be linked to the project.

While allocating more funds, the province will speed up the construction of infrastructure facilities in rural areas to ensure that every village is linked with roads, and supplied with electricity and fresh water.

It will also popularize education and science, and launch publicity about personal hygiene and environmental sanitation in rural areas.

Shandong's Agricultural Project Passes Test

SK1305102194 Jinan Shandong People's Radio Network in Mandarin 2300 GMT 12 May 94

Taian City's project on second-phase comprehensive agricultural development of Huang He, Huai He, and Hai He passed the provincial acceptance test a few days ago. This project has involved 43 township and towns in five counties, cities, and districts. Over the past three years, a total of 73.74 million yuan have been invested in this project. In the areas covered by this project, some 400,000 mu of irrigated fields have been increased or improved, and the coverage rate of forest has been raised

to 16.8 percent. In 1993, the per capita net income of peasants in the areas covered by this project was 1,078.2 yuan, 65.2 yuan more than the average of the city.

Central-South Region

Economists Assess Problems in Guangdong Economy

HK1305002094 Beijing ZHONGGUO XINWEN SHE in Chinese 1207 GMT 10 May 94

[By staff correspondent Zhang Chuanxi (1728 0278 3556)]

[Text] Guangzhou, 10 May (ZHONGGUO XINWEN SHE)—An analysis by economists here of Guangdong's economic situation over the past five months identifies the following new characteristics: A noticeable drop in rate, breakthroughs in macroeconomic regulation and control in individual sectors, and the appearance of many serious problems.

Under the economic development target of catching up with the "four little dragons of Asia" which was put forward in the wake of Deng Xiaoping's southern inspection tour, Guangdong—in actual operations—has eased up on the previously planned economic retrenchment. Guangdong's economy has been developing at an extremely high rate over the past three years. Its GDP rose 17.3 percentage points in 1991, 21 in 1992, and 22 last year. As its economy grew at high rates, its economic power increased rapidly, and it now plays a notable role in China's economy.

However, Guangdong's economic growth obviously has slowed down since early this year. Its first-quarter GDP growth has been predicted to be 15 percentage points, compared with the 20 percentage points registered in the same period last year—a glaring contrast from recent years.

Experts analyzed that the marked economic slowdown was caused mainly by the government's strengthening of macroregulatory and control measures, tightening of credit, and curbing of building projects; in addition, fluctuations in policy triggered by the introduction of various reformist measures this year have played a role. Against last year's 32 percent growth in first-quarter industrial output value, this year saw only 21 percent growth—a drop of 11 percentage points.

Falling industrial development rates have had a direct impact on the overall economic growth rate, but also have reduced longstanding "bottleneck" constraints on the province, resulting in improvement in the overall economic environment. This is one new salient characteristic of Guangdong's economic development this year.

On the other hand, Guangdong has achieved some successes in macroregulation and control this year, with

breakthroughs registered by individual economic indicators. This is the positive side to Guangdong's economic development this year.

Government-released figures gave a 51 percent fulfillment rate for this year's first-quarter fixed-asset investment, up 51 percent, which is lower than in the same period last year, indicating that the abrupt surge in fixed-asset investment starting the year before is now under control. Falling fixed-asset investment is helping to reverse the problem of economic disequilibrium sparked by excessively rapid growth in investment.

Guangdong's foreign trade and exports in the first quarter increased 22 percent from the same period last year to \$8.2 billion. Trade surplus from the first-quarter imports and exports topped \$100 million. Such a large margin of increase in foreign trade and exports has been rare in recent years. The good situation established by foreign trade mitigated the contradiction of imbalanced growth between imports and exports seen last year.

In addition, Guangdong's financial revenue in the first quarter rose 48 percent, and industrial and commercial tax rates rose significantly. This has been the one among Guangdong's several economic indicators registering the greatest growth so far this year.

However, economic activities in the first quarter also uncovered many problems. Experts here pointed out that there would be economic, and even social turmoil if these problems were not handled well. These problems include:

1. It is clear that industrial production is operating far below capacity. As the pillars for industrial development, in terms of production, the province's state-owned budgetary industries this year have performed very badly. Output value fell 4.2 percentage points from the same period last year; profits were down 38 percent, with 43 percent of the industries suffering losses, up 9 percentage points from the same period last year. Several factors contributed to this situation: Shortages in funds forced some factories to maintain production and fund projects with lending; persistently high prices raised production costs, with the result that some products ceased to be competitive in price and were forced out of the market; and the government adopted the policy of scaling down infrastructure projects, so many projects could not be launched, sapping the economic development of reserve strength.

Apart from affecting overall economic growth, a sharp decline in industrial production also has aggravated unemployment, making the problem of slumps in the state-owned enterprise sector more acute.

2. Greater inflationary pressure: Prices in Guangdong have continued to rise since early this year, on top of last year's increase of 18.2 percentage points. Prices in January rose 1.9 percentage points from last December, then another 4.2 percentage points in February, and continued rising in March. Total social retail prices in the

first quarter rose 33 percent, up 4 percentage points from the same period last year—a rather steep hike. Factors such as greater inflationary pressure stimulating growth in consumption power played a role in this.

3. Shortages in funds have worsened the existing debt chains in the economic sector and have taken away the necessary support for economic development. High interest rates across the board have affected financial order.

4. Agriculture is still beset by hidden problems. Despite a 3 percent agricultural growth last year, Guangdong saw drastic reductions in major agricultural products, such as grains and sugar cane. Self-sufficiency in grains has remained an acute problem this year. Although spring farming enjoyed a good start, there should be no premature optimism concerning the prospects for agriculture, as factors hampering development in agricultural production remain.

Guangzhou Shuts Down 113 Overseas-Funded Enterprises

OW1305020894 Beijing XINHUA in English 0145
GMT 13 May 94

[Text] Guangzhou, May 13 (XINHUA)—Guangzhou city, capital of Guangdong Province, recently shut down 113 overseas-funded enterprises for failing to fulfill their contracts.

According to the Guangzhou City Bureau of Industry and Commerce, the measure taken by the Guangzhou City Government is aimed at enhancing management of overseas-funded enterprises.

An official of the bureau noted that all licenses of the 113 overseas-funded enterprises were withdrawn by the bureau.

He said that the 113 enterprises, including Guangzhou Garden Exhibition Center, Guangzhou Kangbao Beverage Co. Ltd. and Huaxian New Lake Hotel, did not put in funds according to contract or provided insufficient funds. As a result, the enterprises could not operate normally.

He said that the 113 enterprises which were shut down account for only 2 percent of the total number of Guangzhou's overseas-funded enterprises which had been approved by relevant Guangzhou departments.

He said that most of the overseas-funded enterprises in Guangzhou are abiding by Chinese laws and contracts and their rights and interests will be protected by the government.

He said that with the deepening of the reforms and expanding of opening to the outside world in the country, Guangzhou will enhance supervision over the operation of overseas-funded enterprises and help promote their business.

North Region

Inner Mongolia Holds Financial Work Forum

SK1305110594 Hohhot NEIMENGGU RIBAO in Chinese 28 Apr 94 p 1

[By reporter Liu Jianjun (0491 1696 6511): "The Inner Mongolia Autonomous Regional Party Committee and Government Cosponsored a Financial Work Forum"]

[Excerpts] On 25 April, the regional party committee and government cosponsored a regional financial work forum to analyze the regional financial situation and to study and work out methods for resolving the current financial difficulties.

Present at the forum were regional leaders Bai Enpei, Liu Zuohui, Song Zhimin, Shen Shuji, and Bao Wenfa; and leaders of the regional departments concerned, all leagues and cities, and some banner and county party and government departments. Bai Enpei, Liu Zuohui, and Song Zhimin made important speeches at the forum. The forum was chaired by Bai Enpei.

Along with the ceaseless deepening of reform and the rapid development of the economy since the third plenary session of the 11th party Central Committee, our region has registered big increases in revenues with each passing year. The region's revenues in 1980 was 413 million yuan; those in 1985, 1.136 billion yuan; those in 1988, 2.35 billion yuan; those in 1992, 3.91 billion yuan; and those in 1993 rapidly increased to 5.61 billion yuan. Song Zhimin pointed out in his speech: The region's revenues continued to double for several times in the past 10 years or so. Simultaneously, the region's economic and social undertakings have developed at an increasingly faster speed. Increasingly more financial resources have been spent to develop economic and social undertakings. The input to the construction of production projects and the development of undertakings continues to increase with each passing year. The number of personnel to be provided by the financial departments increases at an excessively high speed. The income of staff and workers and cadres increases with each passing year. The financial burdens become heavier and heavier. Leagues, cities, banners, and counties differ greatly in revenues. Meanwhile, problems of collecting, managing, and using financial resources exist in varying degrees among the financial departments at various levels. All this helps enhance the contradictions between the region's revenues and expenditures. The financial difficulties, cropping up in the course of promoting the economic construction, rapidly developing other undertakings, and ceaselessly improving the people's livelihood, are temporary difficulties in the course of advance and development. So long as we persistently implement the line, principles, and policies of the party will the financial difficulties certainly be alleviated and eliminated in a step-by-step manner along with the ceaseless deepening of reform and the sustained development of the economy. [passage omitted]

At the time of collecting financial resources, the financial departments at various levels should conscientiously manage both budgetary funds and extrabudgetary funds. Under the leadership of the governments at various levels, the financial departments should further arrange, in a unified manner, available financial resources and expenditures; and make arrangements for the use of funds in the order of importance and urgency. We should first ensure the payment of wages in accordance with the principle of feeding the people primarily and building the country secondarily and the principle of acting according to capabilities; and arrange the expenses in other aspects according to the principle of keeping expenditures within the limits of income. We should strengthen and achieve the distribution of financial funds, do our best to shorten the capital turnover period, and ensure the timely distribution of capital. The banks at various levels should support the rapid distribution of financial funds, avoid the occurrence of the phenomenon of keeping the capital that should be allocated, and ensure the timely turnover of capital. The tax departments at various levels should strengthen the management of tax revenues, widely open tax resources, handle tax affairs persistently according to laws, calculate taxes according to tax rates, and collect and hand over to the state the taxes that should be collected and handed over. The banking departments at various levels should positively collect funds, try every possible means to alleviate the strain on capital, and better support the economic construction and the production of enterprises. The governments at various levels should support the financial departments to develop deposits, assimilate savings from society, increase available funds, and enliven the existing funds. [passage omitted]

Bai Enpei finally stressed: We should strengthen leadership, rely on the masses, work arduously, and jointly overcome the financial difficulties. The party committees and governments at various levels should realistically strengthen the leadership over the financial work, regularly conduct research, carefully make arrangements, and timely solve various kinds of difficulties. [passage omitted]

Mobile Telephone Systems Soar in Hebei Province

OW1205020094 Beijing XINHUA in English 0103 GMT 12 May 94

[Text] Shijiazhuang, May 12 (XINHUA)—A mobile telephone network will cover the whole of north China's Hebei Province by the end of the year.

An agreement to import mobile telecommunications equipment with a total capacity of more than 70,000 terminals from the Ericsson Radio System AB of Sweden was signed here Tuesday.

Officials from the Hebei Provincial Posts and Telecommunications Bureau said that upon completion of the installation by the end of this year, mobile telephone calls from any of all 103 counties and cities in the

province will automatically reach receivers in neighboring Tianjin and Beijing cities.

The province built its first mobile telecommunications system in 1987. However, by the end of April this year, the total number of mobile phone users topped 17,000.

The agreement, which is the third import transaction with the Swedish company, involves some 28.59 million U.S. dollars.

Wei Enhong, director of the provincial telecommunications bureau, said that the province is set to install more mobile phones in the coming few years to meet increasing demands. By 1998, the expected number of mobile phone users will top 300,000, some 17.5 times the existing number.

Northeast Region

XINHUA Replaces Item on Jilin's Automobile Plant

OW0805113794 Beijing XINHUA Domestic Service
in Chinese 0843 GMT 6 Apr 94

[By reporter Zhou Fang (0719 2397); Beijing XINHUA Domestic Service in Chinese at 1513 GMT on 6 April transmits a new report published in the 9 May China Daily Report on pages 61-62 entitled "Zou Jiahua Praises Jilin's Automobile Project" replacing the following item]

[Text] Changchun, 6 Apr (XINHUA)—The 150,000-sedan production line project of the Volkswagen company under the First Automobile Group I/E Corporation—China's largest modern sedan manufacturing base—has entered the last stage of construction. The Jilin provincial party committee and the provincial government recently held a mobilization meeting at the corporation at which they declared the project has been listed as the province's "priority project," and they pledged to have it completed and put into operation by the end of this year.

The project, the construction of which started in 1991, is a major project listed in the state's Eighth Five-Year Plan and is currently the largest joint venture in the country's machinery industry. Requiring an area of 218,000 square meters, the project will have internationally first-class equipment. When the first phase of the project is completed, the production line will turn out 150,000 sedans a year. The total investment for this project is 1.26 billion yuan. When the second phase of the project is completed, the company will be able to turn out 300,000 sedans a year. When the entire project is completed, the company will become China's largest modern sedan manufacturing base turning out Jetta and Golf sedans.

After three years of hard work by 30 domestic and foreign design and construction units which carried out

design, construction, installation, and production debugging simultaneously, about 80 percent of the planned total investment has been completed. A modern sedan production base with four large buildings has taken shape. Adhering to the principle of carrying out construction and production simultaneously while striving to increase the rate of self-sufficiency in the automobile industry, the Volkswagen company under the First Automobile Group I/E Corporation organized the production of sedans in 1992 by putting up a temporary production line. By the end of last year, it had manufactured more than 20,000 Jetta sedans for sale on the market. It also set up more than 100 special service facilities throughout the country.

Jilin Government Holds Financial, Tax Work Conference

SK1105122194 Changchun JILIN RIBAO in
Chinese 30 Apr 94 p 1

[Text] On 28 April, the provincial government held a provincial televised conference on financial and tax work to comprehensively implement and accurately understand the new financial and tax system, to support enterprise production, to promote economic development, to safeguard social stability, and to comprehensively fulfill the 1994 financial and tax revenue tasks. The conference reported on the situation emerged since the implementation of the new financial and tax system, set forth some policies and methods for solving some specific problems, and studied and arranged the next-step financial and tax work. Liu Xilin, vice governor of the provincial government, made an important speech.

On the provincial economic situation, Liu Xilin pointed out: Since the beginning of this year, according to the requirements and arrangements of the party Central Committee and the State Council, our province has grasped favorable opportunities, deepened reform, expanded the scale of opening up, promoted development, maintained stability, and continued to promote the development of the national economy on the basis of the faster economic growth rate of last year. A good rural economic situation rarely seen before has emerged. The investment scale is controlled strictly within the plan. The construction of key projects is further strengthened. The scale of opening up has ceaselessly been expanded. Noticeable progress has been made in inviting businessmen, bringing in foreign capital, and developing foreign export trade. Revenues have been increased. The credit scale has been expanded. The financial situation is stable. However, worries still exist. The industrial production growth rate was changed from the faster development in 1993 to a slow speed in the first quarter of this year. Thus, great difficulties have been added on enterprises, enterprises' economic results tend to decline, and the burdens on price hikes are rather high.

On the issue of how to treat the new situation and new problems cropping up since the implementation of the new financial and tax system, Liu Xilin pointed out: The

general situation over the past four months has been good since the implementation of the new financial and tax system. No bigger fluctuation has been created by the reform of the tax system. The increase in the revenues has been maintained. Affected by the fact that the implementation of the new financial and tax system is related to the readjustment of the interests of various fronts as well as an all-round and integrated structural reform, it is unavoidable that different trades, enterprises, and products have different burdens and different changes. Besides, the new tax system should embody equal tax burdens and the state industrial policy requirements to promote equal competition. Some enterprises that used to rely on the protections of tax reductions and profit concessions for development will lose their preferential conditions. Simultaneously, the industries that should be readjusted according to the state industrial policies and the enterprises with unreasonable economic scales, poor quality, and high production costs will naturally come across serious challenges and difficulties. We must be sober-headed to treat the problems in this regard. We should also understand that problems of this or that kind still exist in course of implementing the new system due to the fact that the new system is being replaced by the old one. Some large and medium-sized enterprises' tax burdens rise by a big margin. Meanwhile, with the strain on capital, the decline in economic results, and the changes in markets, enterprises actually have great difficulties. Both the state and the province have paid full attention to this and have studied or are studying measures to solve the problems in this aspect.

Liu Xilin particularly pointed out: Although the financial and tax revenues have kept on increasing since the implementation of the new financial and tax system, the situation in the implementation of the new situation is not ideal enough. The revenues in the first quarter of this year increased by 10.5 percent over the same period of last year and accounted for 15.7 percent of the annual plan. The industrial and commercial tax revenues in this period increased by 3.4 percent and accounted for 14.3 percent of the annual plan. The financial and tax situation is comparatively grim. This aspect is related to the current economic situation. Simultaneously, the people have prejudice against the new financial and tax system. A very important content of the new system is to guarantee the 1993 vested financial resources of the localities. Although the consumption taxes belong to the central revenues and the value added taxes are divided between the central financial department and the localities, the central financial department do not obtain the portions covered in the base figures of consumption taxes and value added taxes. That is, the portions covered in the base figures will totally be obtained by the localities. If the localities do not reach the 1993 levels this year, the state should reduce the 1993 base figures. In this way, both the balance between this year's revenues and expenditures and the development of the province as a whole and all cities and counties will be affected. It is extremely wrong that we continue to follow the habitual methods of putting the collection of the local

fixed revenues before that of value added taxes, as stipulated in the previous old system. This must be changed. The governments at various levels, all departments concerned, and enterprises should seek unity of thinking, comprehensively implement the new financial and tax system, realistically strengthen the collection and management of tax revenues, try every possible means to support production, specifically carry out the system for responsibility for fulfillment of fixed work, and ensure a balance between this year's revenues and expenditures.

The provincial government urged that the financial and tax departments at various levels should foster the idea of supporting production and positively promote increases in production and revenues. Particularly in the course of reforming the financial and tax system, we should realistically strengthen the coordinate service for enterprises, help enterprise resolve practical difficulties, timely implement the state financial and tax preferential policies, and study ways for solving some specific problems. The financial departments at various levels should mainly concentrate turnover funds on the current industrial production. The tax departments should find out ways to reduce burdens for the enterprises with special difficulties according to the "tax law" and timely report to higher levels the problems that cannot be solved by themselves. According to some state tax policies and in line with the provincial specific situation, the conference defined 13 specific policy measures for supporting the development of enterprises.

Liaoning Commends Outstanding Border Defense Corps

SK1305101394 Shenyang Liaoning People's Radio Network in Mandarin 1000 GMT 12 May 94

[Text] The provincial public security department and the provincial border defense corps respectively issued circulars a few days ago to commend three collectives, including the Navy border defense work station of Yingkou city, and 20 individuals, including (Liu Zhiqi), officer of the Dalian city border defense corps, for their outstanding contributions to defending the construction of export-oriented economy of Liaodong peninsula.

Since last year, the vast numbers of officers and soldiers of the border defense corps in Liaodong peninsula have, under the unified disposition of local governments and public security organs, launched campaigns in a timely manner to specially deal blows to stowaways, smugglers, and criminal offenders in border areas, coastal areas, and the ports opened to the outside world. At the same time, a number of advanced units and individuals have emerged.

In the light of the rampant criminal activities of illegally catching, stealing, and robbing aquatic products, (Yingtaosha) border defense police substation in Zhuanghe city have concentrated efforts on straightening out the order along the coast. As a result, all criminal cases have been cracked and all the cases on jeopardizing public security have been investigated and punished. Together

with [words indistinct], (Liu Zhiqi), deputy head of the Dalian city border defense work station, led all officers and soldiers of the station to crack an appalling case of illegally cutting submarine cable. They seized 43 ships committing the crime and recovered 357 tonnes of stolen property, with a value of 18 million yuan.

Northwest Region

Gansu Fulfills 67.5 Percent of Treasury Bond Quota

HK1105065294 Lanzhou Gansu People's Radio
Network in Mandarin 2300 GMT 8 May 94

[Text] Our province's distribution of 1994 treasury bonds has progressed well. By 6 May, localities in the province had distributed bonds worth 636.358 million yuan, of which two-year treasury bonds were worth 173.086 million yuan, constituting 86.5 percent of the assigned quota, and three-year treasury bonds were worth 465.272 million, amounting to 42.6 percent of the assigned quota. In all, 67.5 percent of the total assigned quota of 1994 treasury bonds has been completed.

Qinghai Secretary Briefs on Jiangsu Inspection

HK1205030094 Xining Qinghai People's Radio
Network in Mandarin 2300 GMT 9 May 94

[Excerpts] Yesterday afternoon the provincial party committee held a monthly meeting, which was presided over by Yin Kesheng, secretary of the provincial party committee. Briefing the meeting on the results of his recent inspection of township and town enterprises in Jiangsu, he said: Jiangsu has superior geographic conditions. Its drive of reform and opening up to the outside world and its economic development program are progressing rapidly. Particularly, township and town enterprises in Jiangsu have played a leading role in the country as a whole and have made important contributions in terms of development. At present its township and town enterprises have made certain achievements in terms of scope, quality, and level and have occupied a decisive position in the province's national economic development. Township and town enterprises have scaled new heights in terms of quality, grade, scope, and efficiency.

The export-oriented economy has developed vigorously. Jiangsu has utilized large quantities of foreign capital and is home to many joint-venture enterprises. The development of township and town enterprises is closely integrated with rural construction. The grand prospect for a new socialist countryside characterized by the modernization of agriculture, industrialization of rural areas, urbanization of villages, socialization of services, and education of peasants is gradually being materialized.

Yin Kesheng said: Considering the development of township and town enterprises in Jiangsu Province, our

province must learn from and use as a reference Jiangsu's experience in the following areas:

1. We should always implement the leading principle of grasping opportunities and accelerating development, firmly foster the idea of development being the last word, and persist in striving for rapid development with good results if conditions permit.
2. We should persist in promoting development with reform and place great stress on seeking solutions to the contradictions and problems that crop up in the course of economic operation by deepening reform.
3. We should encourage township and town enterprises to get involved in the market so that they will decide their development orientation, seek development, optimize their structure, and establish their own operational mechanisms.
4. We should persist in simultaneously grasping the two civilizations and strive for new breakthroughs in building spiritual civilization while accelerating economic development.

Yin Kesheng pointed out: The development situation of township and town enterprises in our province in the last few years is fine on the whole, but, compared with the other parts of the country, we still have a long way to go.

- 1) Our province's township and town enterprises are small in scope; 2) the strong points which ought to be brought into play have not been duly brought into play; 3) fund and talent shortages are relatively pronounced; 4) the level of enterprise management is low. [passage omitted]

The provincial party committee will hold a township and town enterprise work meeting at an appropriate time this year to study, in a concentrated way, ways of developing our province's township and town enterprises more rapidly and with better results. [passage omitted]

Yin Kesheng urged the principal party and government leaders of prefectures and cities to personally take up the work of developing township and town enterprises and township and town enterprise bureaus at all levels to strengthen themselves organizationally by providing more and better leaders and personnel, fulfilling their duties, and boldly carrying out their work. [passage omitted]

Present at the meeting were the standing committee members of the provincial party committee, including Cai Zhulin, Doba, Tang Zhengren, Wang Hanmin, and Yao Xiangcheng.

Qinghai Governor Speaks on Reserve Forces, Militia

HK1005134694 Xining Qinghai People's Radio
Network in Mandarin 2300 GMT 7 May 94

[Text] The People's Armament Committee of the Qinghai Provincial CPC Committee held a work

meeting in the provincial military district building on 4 May to hear the briefing by Vice governor La Binglin, vice chairman of the provincial people's armament committee, on the committee's personnel changes, and to hear the work report delivered by Zhang Meiyuan, vice chairman of the people's armament committee and commander of the provincial military district, entitled: Further Strengthen Party Leadership Over the Work of Armed Forces in the New Period and Strive To Uplift the Building of Our Province's National Defense Reserve Forces to a New Level.

Governor Tian Chengping, chairman of the provincial people's armament committee, discussed his views on attaching further importance to bringing into play the role of the militia and reserve forces in our province's development and stability. He pointed out that it is necessary to strengthen the political construction of the militia and reserve forces, conduct more publicity work and education, do regular ideological and political work, ensure the party's absolute leadership over the armed forces, and do a good job in improving the quality of the militia and reserve forces in accordance with the principle of troops being small in number, but politically strong. He said: Militia training should be sharpened; education should be conducted on a regular basis; equipment should be improved; importance should be attached to the building of militia units responsible for handling emergencies; and stress should be placed on the militia's coordination and cooperation with the public security and armed police forces, and on solving the problem of adequate maintenance and supplies for the militia and reserve forces. He stressed that party committees and governments at all levels must strengthen leadership over armed forces work and must genuinely discharge the duty of the party managing the armed forces.

Xinjiang Regional Chairman on Personnel System Reform

OW1105103694 Urumqi Xinjiang Television Network in Mandarin 1330 GMT 20 Apr 94

[Announcer-read report over video, from the "Xinjiang News" program]

[Text]An autonomous regional work conference on state civil service system and wage reform was held in Urumqi yesterday. Speaking at the conference, Autonomous Regional Chairman Abulaiti Abudurexiti pointed out: We must fully recognize the role and the importance of personnel system in economic construction and do a good job in personnel affairs under the new situation. The reform of personnel system must be guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line,

and closely centered around the main theme of economic construction. We must establish a personnel system in compliance with the demands of market economy. The implementation of the state civil service system is aimed at establishing a socialist cadre administration system with Chinese characteristics, strengthening and invigorating government operations, improving government personnel's quality and efficiency, and making the government's personnel administration system scientific and legal.

Abulaiti Abudurexiti said: While focusing on promoting the civil service system, we must vigorously carry out personnel system reform in institutions and enterprises.

Xinjiang Leads Nation in Mechanized Farming

OW1205123494 Beijing XINHUA in English 0902 GMT 12 May 94

[Text] Urumqi, May 12 (XINHUA)—Xinjiang has entered the era of mechanical farming, a group of officials from the Ministry of Agriculture concluded after a recent visit to the northwest China autonomous region.

The officials said the region's level of agricultural mechanization had reached the year-2000-goal set by the ministry for the nation's agriculture as a whole.

A report released by the regional agricultural department says that Xinjiang now has 340,000 tractors and other farm machines, worth 2.2 billion yuan.

The report says 85 percent of the region's 3.1 million ha of farmlands is now ploughed by tractors, and 74 percent are sowed by machines.

Other farm work, such as harvesting, laying plastic sheet, transportation and preliminary processing of farm products have also been mechanized to a large extent, the report says.

According to the report, Xinjiang now tops all other Chinese regions in the mechanization of sowing and plastic-sheet cover of crops.

The mechanization of farm work has resulted in a great improvement in productivity. The report says that Xinjiang's agricultural output value has been increasing at an annual rate of 6.4 percent over the last 16 years.

With an output of 680,000 tons of cotton, Xinjiang was China's No. 1 producer of cotton in 1993. It was also a major producer of oilseeds, sugar crops and fruit.

Meanwhile, the region has developed a wide network of farm-machine marketing, maintenance, management and other services, employing a total 230,000 people, says the report.

Commentary Views 'Southbound' Policy of Taiwan

HK0905053494 Beijing LIAOWANG in Chinese
No. 14, 4 Apr 94, pp 36-37

[Commentary by Yuan Yang (6678 3152): "Where Does the 'Southbound' Road Lead?—Commenting on Taiwan's 'Southbound Policy'"]

[Text] On the 10th of the first lunar month of 1994, Subic Bay, 80 km northwest of the Philippine capital of Manila, received an industrial and commercial investigation delegation from Taiwan. This large delegation of nearly 100 people included Taiwan officials and entrepreneurs. Having heard the hosts' introduction to the investment situation there, a Taiwan entrepreneur of the delegation thought that the preferential treatment offered was poor, and indicated that he "would not invest in a factory in Subic Bay."

Subic Bay is an excellent natural port of the Philippines. It is surrounded on three sides by mountains, the water is deep, and the port is spacious. In 1941 the United States and the Philippines signed an agreement to lease Subic Bay, which the United States turned into its largest naval base in Asia. At the end of November 1992 the lease ran out, and American troops withdrew from Subic Bay.

For the Taiwan authorities to invest in Subic Bay and develop an industrial zone in cooperation with the local people is an important component of Taiwan's implementation of its southbound economic and trade policies.

The Major Contents of the "Southbound Policy"

The southbound economic and trade investment and cooperation plan drawn up by the Taiwan "Ministry of Economy" requires that "state-operated" enterprises belonging to the "Ministry of Economy" and the Kuomintang party-run enterprises take the lead and, at the same time, bring along nongovernmental enterprises to participate in the southbound investment plan.

The region covered by this investment plan is Southeast Asia. The plan includes four aspects: Investigate and study the economic and trade movements of Southeast Asia and come up with corresponding measures, expand bilateral trade between Taiwan and Southeast Asia, strengthen bilateral investment and technical cooperation, and effectively promote substantive bilateral economic and trade relationships.

This so-called economic and trade plan actually contains political motives. An official of the Taiwan "Ministry of Economy" pointed out frankly: "Choosing Southeast Asia as an economic and trade emphasis of our southbound policy is because we want to use economic and trade exchange to expand room for diplomacy."

The Background and Reasons Behind the "Southbound Policy"

Beginning in the early seventies, Taiwan developed economic and trade relations with Southeast Asian countries, and by the mid-eighties bilateral economic and trade relations had become heated, reaching a peak at the end of the eighties. In the nineties, these relations began to decline. Statistical data indicates that by 1993, Taiwan's investment volume in Southeast Asia had already exceeded \$16 billion.

During the late eighties, when Taiwan capital flowed into Southeast Asia the most, the Taiwan authorities had not raised a "Southbound policy", they were, on the contrary, worried about the "gutting of Taiwan industry." In that case, why do they push hard for a "Southbound policy" today? This is closely related to the problems faced by Taiwan economic development, the rapid economic development trend of the Asia-Pacific region, including Southeast Asia, and the economic trade development trends between both sides of the Taiwan Straits.

Since the eighties, the economy of the Asia-Pacific region has developed rapidly, leading the regional economic development of the world. Taiwan, belonging to the Asia-Pacific region, beginning in the mid-eighties has suffered from a drastic deterioration in its internal investment environment, rising labor costs, land price-hikes, a rise in the environmental protection movement—facing medium and small enterprises with huge pressures for survival. It is from such a background that a large batch of medium and small enterprises have moved to regions where land and labor are relatively cheap.

The Taiwan authorities have thought that, with its economic power and geographical factor, Taiwan can play an important role in the economic development of the Asia-Pacific region, becoming an operating center in the Asia-Pacific region. According to this concept, the Taiwan of the future not only wants to become the transportation center of the Asia-Pacific region, but also wants to become the center of information, business, and personnel training. Large corporate groups and multinational corporations would all set up their headquarters in Taiwan, while other Asia-Pacific countries would only have their branch and representative offices. The manufacturing center of various high-tech products would be in Taiwan, with product assembling distributed in the Asia-Pacific region, forming an industrial structure with a vertical division of labor.

In this ambitious grand plan, the southbound economic and trade policy has been a component, and the promotion of a southbound policy has been to create the conditions for the realization of Taiwan becoming the operating center of the Asia-Pacific region.

Early in the 1990's, with the gradual reduction of tensions in the relationship between both sides of the

Taiwan Straits, economic and trade relations have developed rapidly. In 1993, indirect trade volume between both sides exceeded \$10 billion, and the negotiated capital of Taiwan investment in the mainland during recent years has exceeded \$10 billion. This complementary and mutually beneficial economic and trade cooperation between the two sides has promoted economic prosperity for both parties. However, out of political considerations, and not from the economic interests of both sides, the Taiwan authorities think of all kinds of ways to continuously lower the temperature of the island's "mainland investment fever" and advocate the "scattering of Taiwan businessmen's investment in the mainland" and the "weaning of ourselves from dependence on the mainland market." The other purpose of its "southbound policy" has been to persuade Taiwan businesses into increasing their investment in Southeast Asia, hence "counterbalancing" their investment in the mainland.

The Political Motivation of the "Southbound Policy"

In order to promote the "southbound policy," some decisionmakers of the Taiwan authorities have spared no effort to visit countries in Southeast Asia to conduct so-called "vacation diplomacy." Various signs indicate that the "southbound policy" is an important measure in the Taiwan authorities' promotion of "pragmatic diplomacy"; it is an attempt to obtain the status of a political entity in Southeast Asia.

In order to "expand room for survival in the world," as it is called, the Taiwan authorities again and again have disregarded the principle of "one China," and have used all kinds of means—from the "silver-bullet diplomacy" and "money diplomacy" of the early eighties, to the "dual recognition" of the early nineties, to the promotion of "substantive relationships" with certain "influential countries," all the way to the unbridled activities last year of trying to "return to the United Nations." However, the "result" they have obtained has not been ideal. The Taiwan authorities, especially after encountering defeat in last year's attempt to "return to the United Nations," have decided to make 1994 "the year of seeking a new orientation in diplomacy." As such, the Taiwan authorities have turned their foreign relations emphasis to the neighboring areas of Southeast Asia, attempting to become a dialogue partner of ASEAN, and to obtain the status of a political entity, and then to further squeeze into regional international organizations. At the same time, they have also modified their methods and come up with disguises such as "vacation diplomacy" and "informal visits" in order to cover up the substance of striving for "two Chinas," or "one China, one Taiwan."

Taiwan has no "diplomatically related country" in Asia, and all countries only recognize the government of the People's Republic of China as the only legitimate government representing China, with Taiwan as a part of China. This situation is not something that the Taiwan

authorities can change with its "economic and trade advantages" or by using "vacation diplomacy."

The "Southbound Policy" Arouses Wide Discussion

After the "southbound policy" was raised, it attracted discussion from the political circles, media, academia, and business circles of the mainland. They expressed opinions on the economic significance and political intention of the policy, the practicality of its implementation, the relationship of the "southbound policy" with mainland policies, and various other aspects.

A Taiwan economist has analyzed the important significance of the "southbound policy" for Taiwan's economic development. He believes three major economic forces may appear in the Asia-Pacific region in the future: Japan, mainland China, and ASEAN. Being sandwiched between the three powers, Taiwan must maneuver among these economic forces to maintain its economic development. Establishing an industrial division of labor with Southeast Asia countries is the most advantageous to Taiwan.

An influential Taiwan newspaper expressed, in an editorial, doubts that the "southbound policy" would realize a "diplomatic opening up." That editorial stated that if the basic diplomatic policies of the Southeast Asian countries did not change, then no matter how hard Taiwan pushed its "southbound" policy, it would be difficult to turn economic and trade forces into diplomatic forces. The editorial said that "it will be difficult" for Taiwan "to turn its economic and trade relations with ASEAN countries into diplomatic pressure against Communist China."

A Taiwan newspaper reporter expressed the following thoughts after visiting Subic Bay in the Philippines: The "southbound policy" is an up-current movement in the general movement of the Asian market. That reporter likened the mainland to a "super magnetic field," while Southeast Asia was a "small magnetic field." He believed that the Taiwan authorities were now "using the state-operated and party-operated businesses as a main electric current to divert Taiwan businessmen from the large magnetic field to the small magnetic field." He wondered: "Is the power of this electric current really that strong?"

A Taiwan businessman who has invested in both the mainland and the Philippines said that, within a short period of time, it will not be easy to see the investment results of Taiwan businessmen answering the "southbound" call because the cost of investment opportunities is still the most important consideration of Taiwan businessmen. In addition, language problems are also an obstacle to Taiwan businessmen investing in the south.

Another large Taiwan newspaper expressed doubts that the "southbound policy" could turn Taiwan into the operating center of the Asia-Pacific. This newspaper said in an editorial that if enterprises took Southeast Asian countries as their targets for market development, then

from the perspectives of geographical location, humanities, and social conditions, the best central depots were Singapore and Hong Kong, not Taiwan.

In discussing the relationship between the "southbound policy" and the mainland policies, this editorial made this analysis: The key to implementing the "southbound policy" is a more open mainland policy. If the transport and business channels between the two sides of the Taiwan Straits can be opened up, then the key position and central depot function of Taiwan in Southeast Asia region will have a better chance of showing itself.

In sum, the Taiwan authorities' promotion of the "southbound policy" is, on the one hand, to seek a road for the island's economic development in an attempt to use Taiwan's economic power to obtain the crucial position of being a business center in the flourishing economic development of the Asia-Pacific region and, on the other hand, to divert Taiwan businessmen's investment from the mainland towards the Southeast Asia region in order to be rid of a "dependency on the mainland market." The political intention of this policy is to open up and build up "substantive relations" with the so-called "economic and trade advantages"—first to obtain the status of a political entity in the Southeast Asia region, and then gradually to squeeze into regional international organizations in order to realize the goal of "one China, one Taiwan" or "two Chinas."

As some foreign media have pointed out, some important policy measures of the Taiwan authorities have been far from the objective reality. These are often "self-inflated propaganda or wishful suggestions." It seems that the "southbound policy" is no exception.

SEF Personnel Inspect Hangzhou Boat Incident Crime Scene

OW1205005594 Beijing XINHUA Domestic Service in Chinese 1404 GMT 11 May 94

[By reporters Fan Liqing (5400 7787 7230) and Luo Guojun (7482 0948 7486)]

[Text] Hangzhou, 11 May (XINHUA)—Xu Huiyou [Hsu Hui-yu], deputy secretary general of Taiwan's Strait Exchange Foundation [SEF], some experts hired by the SEF, as well as victims' relatives viewed the fire-damaged boat "Hairui," stolen money and articles, and implements which the public security organ recovered from the criminals, in Chun'an County this morning. The visitors were accompanied by some experts hired by the Association For Relations Across the Taiwan Strait [ARATS] on the Chun'an trip.

By showing actual things on the "Hairui," the ARATS-hired experts answered SEF experts' questions regarding the cause of the fire, the direction in which the fire spread, the degree of burning, bullet marks made by the hunting rifle, and other relevant matters. The SEF personnel and experts then checked the crime implements recovered from the three culprits, including a motor

boat, hunting rifle (rifles), explosives for civilian use, and a gasoline container which was left at the crime scene; recovered stolen U.S., Hong Kong and other currency; and precious metal and jade articles.

After viewing the boat, Xu Huiyou told reporters during an interview: "This is an important crime scene. A look at it is helpful in understanding the whole case."

More on Qiandao Lake Incident

OW1105154694 Beijing XINHUA in English 1456 GMT 11 May 94

[Text] Chun'an, Zhejiang Province, May 11 (XINHUA)—A group sent by the Taiwan-based Straits Exchange Foundation (SEF) today visited Chun'an County in Zhejiang Province to inspect the site of the Qiandao Lake incident.

In the accompany of mainland legal experts invited by the mainland's Association for Relations Across the Taiwan Straits (ARATS), the group, including Taiwan's legal experts and relatives of the victims of the incident, went to see the "Hairui" boat and instruments used by suspects in the murder case.

The incident, which occurred on Qiandao Lake in Chun'an County on March 31, involved the burning of a pleasure boat and the robbery and murder of 32 victims from Taiwan and the mainland. Of the dead, 24 were tourists from Taiwan.

After the inspection, Shi Hwei-yow, SEF's deputy secretary-general, said it is helpful to understand the whole incident and to see the scene of the crime.

During the two-hour inspection, the SEF group went onto the "Hairui", which is docked in the boat-building yard of Chun'an County. They reviewed the entire structure of the boat and fire damage on the upper, middle and lower cabins. They also asked questions about the cause of the fire and how it spread, the position of the explosives and the fittings of the boat.

The legal experts from the mainland answered the questions in detail.

The SEF group also went to a small house not far away from the "Hairui" where the tools of the suspects in the incident and their booty were kept, including two hunting rifles, a bag of explosives for civilian use, a pile for gasoline, cameras, gold and jade trinkets, watches, video tapes, and pictures developed from the film in the cameras.

The SEF group also inspected the motorboat used by the suspects.

Antiterrorism Unit Refutes Claims Over Lake Deaths

HK1205064294 Hong Kong EASTERN EXPRESS
in English 12 May 94 p 9

[By Bruce Gilley]

[Text] China's antiterrorism unit has been brought into public view for the first time. The secretive government cell has been called in to refute rumours that renegade soldiers were involved in the massacre of 24 Taiwan tourists in Zhejiang province.

The Ministry of Public Security unit, which is believed to have been set up after the Tiananmen Square incident in 1989, has never been officially acknowledged, except, by necessity, in confidential international police work. Revealing the unit in connection with the boat tragedy apparently reflects the seriousness with which Beijing is treating the incident, which brought cross-straits relations to their lowest point since the late 1980s.

He Ting, head of the unit, answered reporters' questions in Hangzhou on Monday. He said there was no evidence

of army accomplices in the tragedy on Qiandao Lake on March 31. "This case is 100 percent without any military involvement," he said.

A total of nine mainland experts, two of them from the Ministry of Public Security in Beijing, are testifying in the trial of four suspects in the incident.

He Ting's first public appearance has become something of a sideshow, with reporters plying him with questions on everything from international terrorist groups based in China to attempts on the lives of senior Chinese leaders. The antiterrorist unit is also in charge of investigating aircraft hijackings. According to a report in Ming Pao, one of He Ting's first assignments as antiterrorism chief in 1989 was to investigate and handle the extradition from Japan of a Hebei Province man who claimed political asylum after hijacking a mainland plane to Japan.

In the five years since then, he has earned a reputation for taking a hands-on approach. This included taking charge of an armed assault on the hideaway of a gang of heavily-armed bandits in the Shanxi capital, Taiyuan.

MOFA Says Offices in Italy, Sweden Renamed
*OW1305085794 Taipei CNA in English 0732 GMT
13 May 94*

[By Lilian Wu]

[Text] Taipei, May 13 (CNA)—Taiwan representative offices in Italy and Sweden have changed their names recently to better reflect their functions, the Ministry of Foreign Affairs said.

Ministry officials said that the representative office in Sweden changed its name from the Taipei trade, tourism and information office to the Taipei mission in Sweden, while the Taipei Cultural and Economic Institute in Italy was renamed the Taipei Economic and Cultural Office.

The officials said that the renaming of the two representative offices is a sign that Taiwan's political and economic relations with the two nations have become closer.

They said that relations with European nations have been improving steadily, noting that Sweden began to issue visas in Taiwan last year, becoming the first European nation to do so.

The renaming of the Italian office also showed that Italy has begun to attach greater importance to its ties with Taiwan, they said.

Agricultural Tariffs To Be Cut for GATT Bid
*OW1305085494 Taipei CNA in English 0804 GMT
13 May 94*

[By Sofia Wu]

[Text] Taipei, May 13 (CNA)—Taiwan will lower tariff rates on 244 agricultural items, including vegetables and fruits, as part of its bid to join the General Agreement on Tariffs and Trade, the Council of Agriculture (COA) said Friday [13 May].

This is the first time Taiwan has decided to cut tariff rates on fresh fruits and vegetables, including those which are produced in Taiwan, the council said.

After the adjustment, the average nominal tariff rate for agricultural products will drop to 20.8 percent from the current 21.6 percent. The adjustment will take effect after being approved by the Legislative Yuan, the council said.

To minimize the impact on local farmers, COA Vice Chairman Lin Shiang-nung said, the tariff cuts will affect items which Taiwan does not produce or over which Taiwan boasts a strong competitive edge.

Lin said tariff rates for veterinary medicines, pesticides, fertilizers, feed, farm machinery and raw materials will be lowered by greater ranges with a view to helping local farmers and food processors cut production costs.

Tariff rates for some vegetables and fruits, including onion, potato, celery, cauliflower, strawberry, kiwi,

lemon, orange and grapefruit will be reduced by 2-10 percent. "The adjustment ranges vary with their 'sensitivity' or domestic production quantities," Lin said.

Customs duty rates for beef, lamb, cod, lobster, small shrimp, dry shark's fin and salmon will be cut by 5 to 10 percent, and those for various kinds of fruit juice will be lowered by 5 percent.

The proposed tariff reductions are part of draft amendments to the country's current tariff regulations passed by the Executive Yuan Thursday.

The draft amendments propose tariff cuts on a total of 758 industrial and agricultural products. Industrial products subject to tariff reductions include large refrigerators, washing machines, typewriters, data processors, fax machines, cellular phones, walkie-talkies, and videotape recorders.

The draft amendments will soon be sent to the legislature for deliberation and approval. If all the proposed tariff reductions are approved, finance officials said, Taiwan's average nominal tariff rate will decline to 8.64 percent from the present 8.89 percent, while the real average tariff rate will fall to a mere 4.69 percent.

The tariff cuts will cost the national coffers an estimated NT [New Taiwan] \$2.5 billion annually in tariff revenues, the officials said. The government previously proposed sweeping tariff cuts in 1990, with the adjustments taking effect in 1992.

Taipei Opens Insurance Market to Foreign Firms
*OW1205191194 Taipei CNA in English 1409 GMT
12 May 94*

[By Benjamin Yeh]

[Text] Taipei, May 12 (CNA)—Taiwan on Thursday [12 May] took a major step in opening its insurance market by revising the insurance law to put foreign insurers on an equal footing with their local counterparts.

The Ministry of Finance said Article 22 of the insurance law had been eliminated in order to meet requirements set by the General Agreement on Tariffs and Trade, which Taiwan expects to join before the year's end.

The article stipulated that total stakes of an individual insurance firm held by foreigners must not exceed 30 percent of the firm's paid-in capital.

It is generally believed that this further opening of the insurance market will make the already severe competition stiffer.

At present, 14 American life insurance companies are doing business in Taiwan, struggling to take only 4.5 percent of the local market share. Only Aetna Life Insurance Co., a division of Aetna Life & Casualty Co. of Hartford, Conn., is believed to be making profits.

It has been reported that Continental Insurance Co. of New York is pulling out of Taiwan, five years after it became one of the first US insurance firms to set up business here.

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